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No. ___

IN THE

Supreme Court of the United States

SACRAMENTO MUNICIPAL UTILITY DISTRICT,
Petitioner,

v.

UNITED STATES OF AMERICA,
Respondent.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

In 1992 Congress passed a statute requiring electric utilities that purchased uranium enrichment services from U.S. Government-operated plants prior to the enactment of the statute to pay, for the next fifteen years, an annual "special assessment" based on their quantity of enrichment services purchased from those Government-operated plants prior to the statute's enactment. No assessments on purchases after the enactment were to be made. The assessments were to be used as part of a fund to decontaminate the Government plants in question, which had engaged in uranium enrichment activities since the 1940s, so that the plants could be privatized as a new for-profit enterprise. Sacramento Municipal Utility District ("SMUD") had purchased enrichment services from the plants from 1971 to 1981, like other utilities on a written fixed-price basis. The questions presented are:

1. Does the retroactive exaction of the "special assessments" from SMUD take SMUD's property for public use without just compensation, or deprive SMUD of its property without due process of law, in violation of the Fifth Amendment?

2. Does the retroactive exaction of the "special assessments" from SMUD constitute a targeted breach of the commercial service purchase contracts between SMUD and the Government, requiring the payment of damages by the Government under *United States v. Winstar Corp.*, 518 U.S. 839 (1996)?

PARTIES TO THE PROCEEDING BELOW

The only parties to this case are Sacramento Municipal Utility District and the United States of America. However, somewhat similar cases were also decided the same day by the Court of Appeals involving as plaintiffs Maine Yankee Atomic Power Co., Omaha Public Power District, and Commonwealth Edison Co.

RULE 29.6 LIST

SMUD is a governmental subdivision of the State of California. It is not a "nongovernmental corporation" or a corporation of any sort.

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PETITION FOR A WRIT OF CERTIORARI

Sacramento Municipal Utility District ("SMUD") respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in that court's Docket No. 99-5158.

OPINIONS BELOW

The opinion of the panel of the Court of Appeals (App. 1a-16a.) that rendered the decision is reported at 271 F.3d 1357.[1] The court's opinion and judgment were entered

[1] The opinion in question disposed of three separately docketed cases in the Court of Appeals, which were not consolidated: No. 99-5156, in which Maine Yankee Atomic Power Co. was Plaintiff-Appellant; No. 99-5158, in which SMUD was Plaintiff-Appellant; and No. 99-5160, in which Omaha Public Power District was Plaintiff-Appellant. A judgment was entered in each of the three dockets.

by the panel expressly under the constraint of an opinion of that court *en banc* in a somewhat similar case decided the same day, *Commonwealth Edison Co. v. United States*, 271 F.3d 1327. It is presented at App. 17a-68a. The opinion of the Court of Federal Claims dismissing SMUD's complaint is reported at 44 Fed. Cl. 395 (1999) and appears at App. 69a-91a.

JURISDICTION

The opinion and judgment of the Court of Appeals were entered on November 20, 2001. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED

This case concerns the last two clauses of the Fifth Amendment to the Constitution, which read as follows:

> No person shall . . . be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

It also involves certain provisions of Titles IX, X and XI of the Energy Policy Act of 1992 ("EPACT"), P.L. 102-486 (Oct. 24, 1992), which, among other things, added new sections to the Atomic Energy Act of 1954 ("AEA"). Those provisions are presented at App. 92a-107a.

STATEMENT

Background.—Starting in World War II, the U.S. Government undertook the business of enriching uranium, first for military purposes, but beginning in the late 1950s, also for use as nuclear fuel to be used for commercial purposes. J.A. 24.[2] No later than 1966, those commercial sales were

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[2] "J.A." refers to the Joint Appendix in the Court of Appeals. Since this case comes before this Court from a judgment of the Court of Appeals

made on standard commercial terms. J.A. 34; 31 Fed. Reg. 1649 (1966). The primary private customers for enriched uranium were electric utilities using it as a heat source for making steam to run their generators.

Uranium is a naturally occurring metal generally found as an ore which may be chemically refined into metallic uranium, much as iron ore is refined into iron. In most natural occurrences of uranium, more than 99% of the isotopes are "U-238"; less than 1% are "U-235." U-235 and U-238 isotopes behave differently when struck by neutrons: atoms of U-235 will cleave more easily than atoms of U-238. That cleavage of atoms is known as atomic "fission," a process accompanied by release of a large quantity of energy. That energy may be used destructively (in atomic bombs) or constructively (to make steam at electric generating plants). In order for run-of-the-mill uranium to be used for those purposes, it must be "enriched" by increasing the concentration of the U-235 isotopes to a considerably higher degree than that found in nature. For weapons purposes, this means enriching it to a concentration in excess of 90%; for use in generating electricity, a concentration of about 5%. The enrichment process creates, as a usable co-product, a material called "depleted uranium" because it has been significantly depleted of the highly fissionable U-235 isotope. J.A. 31-32.

SMUD Enters and Exits Nuclear Electric Generation.— SMUD began operating a nuclear generating plant called "Rancho Seco" in 1971. It became a customer of the United States, and received its first delivery of enriched uranium in 1971 from a Government-operated plant. Uranium hexaflouride was acquired from processors and delivered to the

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affirming a decision of the Court of Federal Claims which granted a motion to dismiss for failure to state a claim on which relief could be granted, this statement is derived from SMUD's complaint, the opinions in the case and in the *Commonwealth Edison* case, which the court below held was dispositive of SMUD's case, and other matters of public record.

Government-operated plants. The Government took title to the incoming material. The Government produced enriched uranium from the incoming material, to the degree of enrichment specified by SMUD. A written agreement provided for pricing and other terms and conditions. Pricing was on a unit basis, the number of units being based on the amount of material involved and the extent to which it was to be enriched. The price per unit was fixed at the "applicable price or charge in effect at the time of performance of any services under this agreement." J.A. 57. On completion of the enrichment process, the Government conveyed title to the enriched uranium to SMUD and kept the depleted uranium, which remained Government property. J.A. 34-37; Contract Art. VI ¶ 1, J.A. 65. Depleted uranium, a hard, heavy metal, was used for various non-nuclear weapons and for armor by the military. SMUD used the enriched uranium to make steam, and was responsible, under Government regulations, for its handling and disposal.[3] This case does not involve SMUD's handling or disposal of the enriched uranium, but rather the Government's conduct, over a period of almost 50 years, in operating the enrichment plants to produce material for the military and later for sale for commercial use.

SMUD's enriched uranium purchases from the Government went on only for ten years, ending in 1981. While the

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[3] The construction and operation of nuclear generating plants, and the use of enriched uranium in them, require licenses from the Nuclear Regulatory Commission under Title 10 C.F.R. *Id.* at §§ 50.10(a), (b); 70.3. Extensive regulations are provided for the siting, design and construction of such generating plants and the reactor components therein, and for the handing, inspection, control and disposition of enriched uranium within them. *Id.* at part 50, Appendices A, B, C, E, G, H, J, M, N & R; §§ 70.51, .52, .55 and .58. The activities of the Government enrichment plants were exempt from these permitting, licensing and regulatory provisions, which would otherwise cover them as "production facilities" and possessors of "special nuclear material." *Id.* at §§ 50.11(a), (b)(1)(i)(A); 70.11(a); 70.3.

Government was the only domestic purveyor of enrichment services, over time competition in enrichment services from foreign sources, which had commenced earlier, grew stronger. For the few years after 1981 that SMUD remained a nuclear operator, SMUD purchased enrichment services only from foreign sources, based on price. J.A. 35-36. The Government was to price commercial enrichment services on a basis of full cost recovery.[4] But the Government, before, during, and after the ten-year period in which SMUD did business with it, either negligently, recklessly, or deliberately, operated the enrichment facilities so as to contaminate them to an extent that the Government incurred enormous decontamination and cleanup costs and other liabilities. J.A. 24-25. The Government's pricing did not include what would be necessary to pay those costs, although SMUD did not know that. J.A. 24-25, 38-39, 41.

In 1989 SMUD exited the business of generating electricity through nuclear fission, and shut down the Rancho Seco Plant. In 1990, the Government and SMUD executed an agreement in which the Government granted SMUD a general release: the "Government agrees that all obligations arising under the contract or by reason of its termination shall be deemed to be concluded." J.A. 36, 89. Those obligations had included not only the obligation to pay the established price, but also certain indemnities to the Government, including as to the material supplied for processing by the Government. J.A. 65, 75-76. After Rancho Seco shut down, SMUD generated electricity mainly through gas-fired co-generation and renewable forms of generation.

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[4] P.L. 91-560, § 8 (1970) (App. 107a). To the same effect, the Atomic Energy Commission's ("AEC") 1997 Pricing Rules contemplated recovery of all costs "direct and indirect, of operating the enrichment plants." Uranium Enrichment Services Criteria, AEC, dated Jan. 23, 1973, at 7. Later regulations took the same approach. *See* 51 Fed. Reg. 27132 (1986).

The Rise of the Enrichment Corporation.—In 1992 the Government set about to privatize its commercial enrichment business. The Government knew that it was unlikely that any private investors would buy this enterprise unless it was shorn of the liabilities for decontamination and cleanup that the Government, through its operation of the plants, had created. J.A. 25. As part of the EPACT legislation, to maximize the commercial value of the enterprise, the Government stripped the business of any liability for the Government's past contamination of its facilities, and reorganized it as the "United States Enrichment Corporation" ("Enrichment Corporation"). Its first two statutory purposes were "(1) To operate as a business enterprise on a profitable and efficient basis" and "(2) To maximize the long-term value of the Corporation to the Treasury of the United States." Another title of that Act established a fund (the "Fund") to pay for the decontamination and cleanup of the enrichment facilities.[5]

The Fund.—The statute called for a Fund of $480 million per fiscal year (to be adjusted for inflation). Of this, up to $150 million per fiscal year (inflation-adjusted) was to come from what the statute called "special assessments" from

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[5] P.L. 102-486, Oct. 24, 1992, Title IX, § 901, 106 Stat. 2923 *et seq.*, App. 92a *et seq.*; Title XI, § 1101, 106 Stat. 2951, 2953-54, 42 U.S.C. § 2297g & g-1, App. 101a-103a. Privatization was authorized if it would "result in a return to the United States at least equal to the net present value of the Corporation" at the time of privatization, subject to approval of the President and advance notice to Congress. 106 Stat. 2938, App. 96a. The provision shearing away the old liabilities from the Corporation is in AEA § 1406, added by 106 Stat. 2936-37, App. 94a-95a. In Public Law 104-134 (1996), the privatization provisions of Title IX were repealed effective as of "the date on which 100 percent of the ownership of the Corporation has been transferred to private investors." 110 Stat. 1321-336, 1321-349. That privatization occurred on July 28, 1998. *See* U.S.C.A. § 2297, Historical and Statutory Note. The company is now called USEC, Inc. The provisions of Title XI requiring the utilities to make 15 years of annual payments were not affected.

certain electric utilities; the remainder of the sum was to be appropriated annually by Congress. App. 102a-103a.

Only those electric utilities that had purchased enrichment services prior to the 1992 enactment were to contribute to the fund through those "special assessments."[6] *Id.* Only purchases from the Government "before the date of enactment of this title" (October 24, 1992) counted in the calculation of the assessments. The statute was thus entirely retrospective. Subsequent purchases, going forward, would not be burdened by assessments; thus, going forward, the new Enrichment Corporation would be competitive with foreign sources, and it would be free of the cleanup costs accumulated by its governmental predecessors.

There was only one aspect in which the "special assessments" looked forward: those who had to pay were to keep on paying. SMUD and the other utilities that had purchased enriched uranium services from the Government prior to October 24, 1992, would have to pay assessments annually for up to fifteen years, or until $2.25 billion (adjusted for inflation) had been extracted from them. App. 103a. Since that liability depended entirely on actions—the purchases—that took place in the past, the "special assessments" were absolutely unavoidable. If SMUD could have foreseen the assessments at the time of its purchases, they could have been

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[6] There were two exceptions. First, foreign utilities were exempt,; they amounted to 25% of the pre-enactment purchases. App. 72a. Second, if a utility purchaser sold its enriched uranium to another utility, the second utility, not the direct purchaser, would be assessed on that purchase. New AEA § 1802(c)(1) and (2), 106 Stat. 2953-54, 42 U.S.C. § 2297g-1, App. 103a. The lists of utilities assessed as direct purchasers and those as having purchased from direct purchasers were similar but not identical. App. 72a. No less than 85% of the purchases from the Government were retained by the direct purchasers, rather than resold. See *Yankee Atomic Elec. Co. v. United States*, 112 F.3d 1569, 1583 (Fed. Cir. 1997), *cert. denied*, 524 U.S. 951 (1998) (quoting Government's estimate).

avoided by "buying foreign"—or switching to other fuel. But in 1992 there was no exit for SMUD other than by paying up.

This Suit.—SMUD paid (and has continued to pay) its annual assessments, now cumulatively amounting to $10.1 million. It brought suit in the Court of Federal Claims for a refund of the amounts it had paid. It claimed that those exactions violated the Fifth Amendment, both by taking its property without just compensation and by depriving it of its property without due process of law. J.A. 28-29, 48-49. Other grounds for recovery were also pleaded, including a claim that the legislation was a targeted statute involving a breach of SMUD's and the other nuclear utilities' fixed-price-on-delivery government contracts, and of SMUD's release, thus making the United States liable under the principles of *United States v. Winstar Corp.*, 518 U.S. 839 (1996). J.A. 52.

The court granted the Government's motion to dismiss for failure to state a claim on which relief could be granted. App. 91a. SMUD's appeal to the Federal Circuit was heard by a three-judge panel, which rendered an opinion on November 20, 2001, that indicated that the panel would have found a violation of the Fifth Amendment, but that it was constrained to affirm on the basis of an 8-to-3 decision of the court *en banc*, rendered the same day, in the *Commonwealth Edison* case.[7] We accordingly discuss that *en banc* decision.

The Court of Appeals Decision.—(a) Takings—Three primary claims in *Commonwealth Edison* were made, under theories similar to those of SMUD: the Takings Clause, the *Winstar* claim of a targeted legislative breach of a commercial contract, and the Due Process Clause. The *en banc* majority first discussed the Takings Clause, noting that in *Eastern Enterprises v. Apfel*, 524 U.S. 498 (1998)—a retrospectivity case—five Justices of this Court had rejected the

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[7] App. 2a, 4a. Like SMUD's case, *Commonwealth Edison* came before the Court of Appeals following a dismissal for failure to state a claim.

concept that "money" was "property" within the meaning of that clause. Notwithstanding the fact that one of those five Justices reached the same result in the *Eastern Enterprises* case as the Justices who held that money was property and found a "taking," the *en banc* majority agreed with what it described as "the prevailing view" of other Courts of Appeals as to what to do with this Court's 4-1-4 decision in *Eastern Enterprises*; namely, not to follow the result. Accordingly, the *en banc* majority rejected the Takings Clause argument. App. 33a-37a.

(b) Winstar.—The *en banc* majority noted that in *Yankee Atomic* a similar claim under this statute was rejected by a divided Federal Circuit panel, which found the special assessment to be "a general exercise of Congress's taxing power," rather than "an act that retroactively increases the price charged to contracting parties for uranium enrichment services," which was what it had seemed like to the plaintiff. The *en banc* majority also held that there was no "unmistakable promise [in the contracts] that precluded the Government from later imposing an assessment" on the utilities that patronized the Government's enrichment services. It accordingly rejected this claim and followed the earlier split panel decision in *Yankee Atomic*. App. 37a-38a.

(c) Due Process—Retrospectivity.—The *en banc* majority finally reached its discussion of the Due Process Clause, which it viewed as the appropriate place to discuss retrospectivity. App. 39a. The majority cited this Court's statement in *Usery v. Turner Elkhorn Mining Co.*, 428 U.S. 1, 15 (1976), that "it is by now well established that legislative Acts adjusting the burdens and benefits of economic life come to the court with a presumption of constitutionality," and this Court's observations, in *PBGC v. R. A. Gray & Co.*, 467 U.S. 717, 729 (1984), that if "retroactive application of a statute is supported by a legitimate legislative purpose furthered by rational means," constitutional inquiries were at

an end. It did not explore whether the rules thus pronounced would apply if the retroactivity was not simply one "application" of a statute, but its entire object; or whether a "legitimate legislative purpose" included avoiding in whole or in substantial part the Government's responsibility for its own behavior; or whether the only "rationality" that was required was the efficiency of the Government's carrying out an avoidance of that responsibility without causing unpleasant commercial consequences to itself. App. 39a-40a.

The majority next, accurately enough, noted that the inventory of cases in which this Court had in recent times invalidated statutes, or their applications, on grounds of retrospectivity, was rather small. It counted only four cases "in the modern era," and that only after grudgingly admitting *Eastern Enterprises* into the group. The three other cases were criticized because they were said to represent a pre-1937 view of the Constitution and had been questioned to some extent in later decisions. App. 40a-42a. The court then came to *Eastern Enterprises*. App. 42a.

Eastern Enterprises involved a 1992 statutory provision (actually Subtitle C of EPACT itself) that imposed certain retrospective obligations on companies engaged in the coal mining business that signed either the 1950 or the 1974 UMWA agreements providing for "pay as you go" health, disability and death benefit funds for coal miners. Because of increasing numbers of retirees and declining coal production, the financial condition of the benefit funds became perilous. The statute provided for a rescue fund to be financed by the companies that had signed either of the two agreements. It based the coal companies' obligations to fund the benefits on a head count of their employees in past years, and on the companies' own execution of the agreements in past years, and accordingly it was retrospective. 524 U.S. at 514-16. This Court held the statute unconstitutional with respect to Eastern, a coal mining company that had signed the 1950

agreement, but not the 1974 agreement (Eastern left the industry in 1965, *id.* at 516). This was because only the 1974 agreement had contained a promise of benefit levels that the Court deemed sufficient to justify, under principles of fairness, a substantial and deeply retrospective obligation.[8]

The *en banc* majority below distinguished the utilities in this case from the petitioner in *Eastern Enterprises*, apparently perceiving a meaningful connection with the long-term pollution of the Government's facilities on the part of SMUD and the other nuclear utilities, although that connection was simply as former cash customers of the Government. App. 43a. It thus treated SMUD and the others like the coal miner that signed the 1974 agreement and its promises. No difference was perceived in the Government's self-dealing here, as long-time polluter, owner of the Enrichment Corporation, and lawmaker, from its role in *Eastern Enterprises* where it was only umpire between labor and management: *Eastern Enterprises* involved a regulation of the extent to which the coal company would have to contribute to the employees' benefits and the extent to which the employees would have to do without. Nor did the majority explore whether the "rationality" of making that retrospective provision might have to be judged on a different basis if its purpose was to cleanse the Government from a major part of the burden of cleaning up one of its industrial and commercial

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[8] The four dissenting Justices in *Eastern Enterprises* had reached the conclusion that the petitioner in that case was party to a general nonwritten understanding prior to the 1974 agreement that the operators would make good by "provid[ing] the miners with lifetime health benefits" and that "this understanding . . . kept the mines in operation." 524 U.S. at 551. The dissenters also cited the well-known health problems involved in working in the coal mines. *Id.* at 559-60.

operations from close to half a century of environmental mismanagement by the Government, an actor rather than a "regulator."

"On the other side of the balance" from *Eastern Enterprises* and the earlier cases, the majority listed fifteen cases in which this Court had rejected challenges to "economic legislation" based on the Due Process Clause. App. 44a-46a. All of those cases involved legislation which was prospective in application as well as retrospective; that is, they all ascribed consequences to future acts as well as to past acts.[9] Few of the cases involved the Federal fisc; [10] indeed, a number of the cases involved state statutes under the Fourteenth Amendment or the *Ex Post Facto* Clause and did not involve self-dealing.[11] Many of the Federal statutes involved

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[9] In some cases the consequences going forward as to future acts were slightly different from those attaching to past acts, but had substantially the same effect on the complaining parties. Thus, in the Black Lung case, *Turner Elkhorn*, the benefits going forward were to be paid under state workers compensation laws to the extent that they provided benefits similar to the statute's federal benefits, with the federal system paying if the state system did not meet those standards. P.L. 91-173, Title IV, Part C, § 421, 83 Stat. 795 (1969). But of course the workers compensation systems and the federal system were all funded by employers, the state systems generally through insurance purchased by them.

[10] Essentially, the tax cases, where this Court has generally imposed particularly strict standards on retrospectivity. *See* note 15, below. The only exceptions, involving non-tax statutes affecting the Treasury, appear to be *United States v. Sperry Corp.*, 493 U.S. 52 (1989) (user fee which was applied retrospectively only in the most technical sense; Congress retrospectively corrected Claims Court's decision holding that regulation was not authorized by Congress), and *Lichter v. United States*, 334 U.S. 742 (1948) (renegotiations of excess wartime profits; application was not clearly retrospective; just compensation was paid).

[11] *General Motors Corp. v. Romein*, 503 U.S. 181 (1992) (correction of court interpretation of *prospective* workers' compensation statute); *Funkhouser v. J. B. Preston Co.*, 290 U.S. 193 (1933) (codification of when pre-judgment interest is due on money suits; avoidable by those paying their debts voluntarily).

true "regulation," adjusting, both looking back and going forward, economic issues between groups, such as employers and employees.[12] Others were regulatory provisions of more modest scope, not involving decisions as to what interest groups would pay, but simply laying down rules which could be complied with, at the most, minimal economic impact.[13] Some of them were retrospective only to the extent that they corrected what the legislature found was a misinterpretation of its earlier prospective statutes.[14] Those that affected the Federal budget directly (with the exceptions discussed in note 10) were cases of tax legislation with a very brief "look back," [15] in at least one case correcting "too good to be true" interpretations of the tax laws.[16] Significantly, none of the

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[12] *Concrete Pipe and Products of California Co. v. Construction Laborers Trust*, 508 U.S. 602 (1993) (multi-employer withdrawal liabilities); *PBGC v. R. A. Gray & Co.*, 467 U.S. 717 (1984) (same); *National Railroad Passenger Corp. v. Atchison, Topeka & Santa Fe R. Co.*, 470 U.S. 451 (1985) (resolution of squabble between freight railroads and Amtrak as to who paid for free passes granted by freight railroads); *Turner Elkhorn* (responsibility of employers for latent Black Lung disease becoming apparent after termination of employment).

[13] *United States v. Locke*, 471 U.S. 84 (1985) (annual filing required to maintain land patent); *FHA v. The Darlington, Inc.*, 358 U.S. 84 (1958) (enforcement that rental multiple-dwelling buildings with mortgage guaranteed by FHA be leased for long terms, not rented to transients).

[14] *United States v. Sperry Corp.*, *supra*; *General Motors Corp. v. Romein*, *supra*.

[15] *United States v. Carlton*, 512 U.S. 26 (1994) (corrective statute to prevent outlandish outcome from misdrafted statute); *United States v. Hemme*, 476 U.S. 558 (1986) (transitional change in existing tax provision); *Milliken v. United States*, 283 U.S. 15 (1931) (increase of tax rate after gift was made but before decedent died; assertion of vested interest in low rate rejected); *United States v. Darusmont*, 449 U.S. 292 (1981) (additional tax on income already subject to tax); *Welch v. Henry*, 305 U.S. 134 (1938) (removal of deduction for certain dividends) (state tax case).

[16] *Carlton*, *supra*.

cases decided by this Court involved a purely retrospective statute that operated to effect a substantial transfer of Government responsibility onto a group of parties that had dealt with the Government as buyer from a seller, on what were standard commercial terms, and with alternative sellers available.

The majority frankly held that the legislation was "severely retroactive and costly," but believed that the requisite "egregious circumstances" to find a Fifth Amendment violation required more than that. App. 47a. In that investigation for egregious circumstances the court viewed the Government as a bystanding regulator, devising solutions to "social problem[s]" (*id.*), rather than a commercial actor that had created the "social problem."

The majority believed that two conditions had to be satisfied for the legislation to survive, or possibly only one of them. *Id.* These were whether "the party subjected to retroactive obligations benefits from activity that contributed to a social problem" and whether "the imposition of retroactive liability" was "contrary to that party's reasonable expectations." *Id.* As to the first, it concluded that the utilities benefited from the activity, in that the Government supplied them with the services they had contracted for, at the fixed price on delivery that the Government demanded. The majority did not discuss whether this test, extracted from cases like those involving coal operators and their workers, was appropriate where the Government itself was in charge of performing, and was responsible for, the "activity that contributed to a social problem" and retrospectively decreed that its former customers would pay extra to help solve it.

Next, the majority distilled from the cases a three-factor test for the affected party's reasonable expectations. App. 52a. The first of the three factors was "operating in a highly regulated industry" which the court apparently found present in the regulations concerning the construction of nuclear generating plants and the utilities' own handling, use

and disposition of enriched uranium once they got it from the Government plant. *Id.* *See* note 3, above. But this case did not involve that sort of regulation; it involved the purchase and sale of the enrichment services, which took place in a competitive market with the Government being a competitor to foreign suppliers.

A second factor was, the majority said, did "the company know of the problem at the time it engaged in the activity." App. 53a-54a. But the record shows no knowledge of problems by SMUD. If we assume, contrary to the record, that SMUD knew of the contamination of the Government plants, it was the Government's responsibility; the Government was operating the enrichment plants and had been doing so for more than 25 years when SMUD started to purchase the services.

The third factor, according to the majority, was whether the target "in the light of the regulatory environment at the time" could have "reasonably anticipated" "the possibility of the assessments." App. 54a. To support a "yes" answer, the court relied upon various legal theories that sometimes make persons peripherally involved in polluting activities responsible for their remediation. App. 55a-62a. But none of them went so far as to hold an entity which buys material at arm's length from a vendor to be liable to the vendor for the vendor's own pollution; and certainly, whatever public remedies may be available against parties that are ancillarily involved in polluting activity, no legal authority permits a party owning, controlling and solely operating a polluting facility, like the Government here, to obtain compensation from its customers with respect to its own polluting activities.

Three judges of the eleven-judge bench dissented, for reasons stated in the opinion of a fourth judge, Judge Friedman, rendered in SMUD's own case.[17] The dissenters expressed

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[17] App. 68a. Judge Friedman, as a Senior Judge, had no vote on the *en banc* disposition.

the view that the due process challenge to the assessment should have prevailed. That opinion of Judge Friedman to which they subscribed made the following point:

> In many (if not most) of the cases in which the Supreme Court rejected Due Process challenges to retroactive legislation, the statute dealt with the relationships, financial and otherwise, among private parties; the government's role was only the regulation of those relationships. In the present case, however, the statute deals with the relationship between the government and private parties; it seeks to transfer to those parties a substantial portion of the government's costs of rectifying the contamination of its plants used to produce the product it sold to those parties. It is by no means clear that those Supreme Court cases may be automatically and uncritically applied to the significantly different situation here involved. App. 13a-14a.

REASONS FOR GRANTING THE WRIT

1. The Court Below Has Sanctioned a Retrospective Enactment by Congress that Is More Radical than Any Permitted by this Court—(a) Retrospectivity.—The courts in the United States have always viewed retrospective legislation as having potential for great unfairness, and, among other things, will not construe a statute as retrospective unless it clearly expresses that intent. "[T]he presumption against retroactive legislation is deeply rooted in our jurisprudence, and embodies a legal doctrine centuries older than our republic." *Landgraf v. USI Film Products*, 511 U.S. 244, 265 (1994). A corollary of that, often stated by this Court, is that "[i]t does not follow, however, that what Congress can legislate prospectively it can legislate retrospectively." *Turner Elkhorn*, 428 U.S. at 16. Here the statute intentionally did apply retrospectively, and indeed it was wholly retrospective. The statute thus potentially violates norms of legislation that were memorialized by Chancellor

Kent and Justice Story, the two great early commentators on American law of the first half of the 19th Century, that members of this Court have cited with approval.[18]

This Court has examined retrospective legislation under two branches of the Fifth Amendment: the clause prohibiting the taking of private property without just compensation (the "Takings Clause"), and that forbidding the Government from depriving persons of "life, liberty or property without due process of law" (the "Due Process Clause"). While this Court has certainly recognized that some retrospective legislation is consistent with the Constitution, it examines retrospective legislation with great care, and as the court below noted, has decided about twenty cases on the subject in recent years. The statute in question is more extreme than any retrospective statute that this Court has found to be constitutional and more extreme than one recently found in its application to be unconstitutional by this Court. And, as the dissenters below noted, the statute is "significantly different" from that case—and most other cases—because the retrospectivity implemented the Government's blatant commercial self-dealing. p. 16, above.

(b) The Effect of Self-Dealing on Analysis.—The majority below acknowledged that the statute was "severely retroactive and costly." But applying formulae that were developed in entirely different contexts, it found that the statute was "rational," that the possibility of its enactment

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[18] *See* Justice O'Connor's opinion for the plurality in *Eastern Enterprises*, citing, among other authorities, Justice Story's "Commentary on the Constitution," 524 U.S. at 533-34, and Justice Kennedy's discussion therein, including passages from Justice Story and Chancellor Kent. *Id.* at 547-48. The dissenters in *Eastern Enterprises* took no exception to the majority's statements of the law concerning retrospectivity; they had a different evaluation of the facts. The dissenters expressed the view that a retrospective statute, to the extent that the retrospectivity was not consistent with "fundamental fairness," violated the Due Process Clause. *Id.* at 553-54.

should have been foreseen by the purchasing utilities in the '60s, '70s and '80s, and that there was nothing "egregious" about the statute. App. 47a. The court referred to the statute as a "regulation" (App. 39a, 50a), and said that it involved "adjusting the burdens and benefits of economic life." App. 33a. It took concepts which this Court has enunciated when the Government is acting as referee between interest groups and used them in a case where the Government was the major commercial player.

The "rationality" test for the validity of retrospective legislation has a perverse effect when applied here. In a real sense, the statute was highly rational, even brilliant: if we view the maximization of an entity's wealth as a rational pursuit (and indeed, that presumption lies at the base of all economic science, as well as being one of the statutory objectives of the Enrichment Corporation), the statute is rational from the standpoint of the Government's wealth maximization. By 1992 the Government had operated the plants for well over forty years, with scant attention to environmental concerns; the Cold War was over; the major use of enriched uranium would clearly be commercial. So the Enrichment Corporation was formed, to operate as a for-profit enterprise and to be privatized through sale to investors. The investors would demand an entity whose facilities were not contaminated and that was free of existing liabilities. That entity would have to compete with sellers of enrichment services abroad that did not have those environmental problems.

A way was found to take at least some of the liability off the Government's hands by way of a special tax. The tax could not be prospective; it could only be retrospective. If it was prospective, the tax would have raised the price of the services beyond those of competitors, destroying the profitability of the enterprise and its privatization sale value. But there is no way for anyone to avoid a retrospective tax by

changing behavior. So viewing the Government as a commercial entity, a role which it was playing in this case, this enactment was perfectly "rational."

SMUD does not believe that examining the statute based on "rationality" of that sort is consistent with the Constitution. The test to be applied is not the "rationality" of the Government as a commercial enterprise engaged in increasing its profits by forcibly transferring its responsibilities for its past acts to selected portions of the citizenry who did business with it, but the "rationality" of a republic observing established principles of law.

Similarly, the "expectation" test, likewise applied by the Court of Appeals, is not appropriate in this case of monumental self-dealing on the part of the Government without a similar adjustment in its focus. What should the expectation of the citizen be after engaging in a fixed-price purchase from its Government, paying the established price and receiving an acknowledgment that all that was agreed to had been paid? If the government was that of a Xerxes or some other eastern satrap of antiquity, it might well be expected that whatever the ruler might want to take from the citizen, it would take. Indeed, if expectations are based on what the Government might do if its only goal was the maximization of its wealth, since by definition the Government has the power to make laws, any retrospective assessment might be deemed expectable. But that cannot be the rule of the Constitution and its Fifth Amendment. They presuppose not the extractive monarchy across the sea that governed prior to independence, but such expectations as would be reasonable from a republican government of limited powers, responsible to the people, and subject to the law of the Constitution and principles of fundamental fairness. There is, and was at the times of SMUD's purchases and of the enactment, no principle of law that an active polluter might, at its own insistence, collect compensation from its customers who

bought products from it, where the seller was managing its business without due regard for minimizing and cleaning up the pollution it was creating.

Justices of this Court have identified governmental self-dealing as a factor in determining the constitutionality of retrospective legislation, just as did the dissenters in the court below. In *Eastern Enterprises*, Justice Kennedy commented that "[g]overnmental self-enrichment" was a factor in determining whether a "taking" existed. 524 U.S. at 544. Justice Souter, with three other Justices concurring, said in *Winstar* that "The greater the Government's self-interest, however, the more suspect becomes the claim that its private contracting partners ought to bear the financial burden of the Government's own improvidence. . . ." 518 U.S. at 898. And Justice O'Connor, in *Carlton*, analyzing the issue whether "rational means" existed, said that a "'wholly new tax' cannot be imposed retrospectively [citing *United States v. Hemme*, 476 U.S. 558, 568 (1986)], even though such a tax would surely serve to raise money." 512 U.S. at 38.

(c) The Polluting Responsible Party Decrees Contribution from Blameless Parties.—Even ignoring the Government's dual roles here, this Court seems never to have adjudicated a retrospectivity case as extreme as this, and accordingly, and thankfully, precedents are not plentiful. The present case is thus in fact "egregious"; it stands apart from the flock of other retrospectivity cases that have come before the Court in recent years. The *Eastern Enterprises* case, involving a statute that was constitutional in some applications, establishes that some degree of responsible participation by a party in an activity is required in order for that party to be held liable for retrospective funding, even where the beneficiary (there the workers) is itself innocent. The particular coal company involved in *Eastern Enterprises* never made any of the promises regarding pensions that others made, and while of course the workers had no fault,

there was no rational basis, the Court held, for taking that coal company's property and giving it to the pensioners. Simply employing the workers was not enough. Here, the Government admitted that the assessments were "not premised on any responsibility" of the utilities.[19] And clearly, based on comparative involvement, and looking from an umpire's view, there is no rational basis for taking the property of a customer and giving it to a business which was established, "doing its thing" years before it sought private customers and which (unlike the workers), through its own mismanagement over a number of decades, had caused a major problem.

Even apart from the Government's enrichment of its own wealth, this case exhibits an outcome less rational and more violative of fundamental fairness than what was held unconstitutional in *Eastern Enterprises*. There, the petitioner had been engaged in a business which posed considerable health risks for the employees: indeed, in other contexts, that factor had been held to justify retrospective legislation on employers without regard to whether they had made promises to their employees. *Turner Elkhorn*, 428 U.S. 1 (1976). The employees, beneficiaries of the statute in *Eastern Enterprises*, were themselves innocent. Here, the scales point entirely in

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[19] The Government occasionally in the courts below suggested that, in effect, SMUD was involved in the Government's pollution because it was a customer of the Government. *See, e.g.*, Br. 9, 35-37. However, the Government submitted no evidence of actual involvement by SMUD in the pollution, and there is no such evidence. The case was decided on the Government's motion on the basis of SMUD's complaint and the facts of public record. Those facts of public record indicated massive concealed pollution endangering human life going back to the 1940s, mainly involved in the production of bombs, for which the Government has made a public apology. J.A. 107-12 (apology by Sec'y of Energy); 110-14; 122-35 (DOE Report on polluted Paducah plant). The Government admitted in the court below that the assessments are "not premised upon any responsibility for contamination," nor were they "premised upon any promises made by SMUD." Br. 26.

the opposite different direction: the beneficiary was the one at fault; instead of operating its business in an environmentally appropriate way, the Government created pollution for decades and left it unremediated. All SMUD did was give it business (which the Government had solicited); that business did not impose any special environmental problems that could not have been dealt with by an operator respectful of the environment; the problems created by the Government's imprudent practices should have been dealt with by the Government on an ongoing basis for the whole half century of its operations, not simply when it decided it might sell the operation.[20] The statute is as unfair as would be a statute calling upon mine workers to make payments toward the cleanup of environmental problems in coal mines because they had benefited by being paid their wages, and their labor gave the mine owners further opportunities to pollute. Here the fact that the Government owned and operated the polluting facilities makes the statute clearly violative of fundamental fairness.

(d) "Benefit" Without Responsibility.—The holding of the court below, that the purchasers of enrichment services obtained a benefit as cash customers which alone justified decades of retrospective assessments against them, creates interesting possibilities. First, it is clearly inconsistent with *Eastern Enterprises*. There, the petitioner clearly obtained benefits from the labor of the miners; and just as it promised the miners nothing, neither did SMUD promise to pay more than the fixed prices at the time of delivery of the enriched uranium. Second, under the Federal Circuit's logic, past cash customers of any stricken company that the Government thinks it useful to resuscitate could be assessed, based on their past purchases, for the rehabilitation of the enterprise. The

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[20] To be sure, there are environmental hazards involved in running a nuclear generating plant, but those are not involved in what this statute addresses.

airlines are in difficulty; frequent flyers could readily be assessed; the necessary recordkeeping is in place to compute their past mileage. Current flights obviously would not be surcharged, to avoid discouraging travel; only past flights would be. The fact that the frequent flyers are not responsible for the airlines' plight is irrelevant; as the Government successfully contended below: "Because causation or culpability for contamination is not the basis for the assessment, any lack of culpability here is irrelevant." Br. 36. We cannot imagine that such a statute would be held consistent with the Fifth Amendment. Yet it is exactly the same as the present statute; indeed, the present statute has the added vice of self-dealing.

(e) An Unprecedented Taxing Statute.—The statute was not a "regulation"—the only thing it regulated was SMUD's bank balance—and it does not adjust the ongoing benefits and burdens of economic life among interest groups. It was, as the Federal Circuit earlier called it,[21] a tax. It was a retrospective and narrowly focused tax. Unlike all of the other cited cases in which technically retrospective taxes were sanctioned by this Court, this was a *purely* retrospective tax. It taxed only prior events—the purchase of uranium enrichment services from the Government prior to October 24, 1992. No special tax on those purchases had ever been levied before. None was levied going forward. The retrospective taxation here is also distinguished by its extraordinary look-back from every Federal tax which this Court has upheld despite some element of retrospectivity. It reaches back with unparalleled scope—21 years in SMUD's case, over 30 in other cases—not the few months or a year or two which characterizes the income or estate tax cases where the brevity of the look-back, generally buttressed with other factors contributing to the enactment's fairness (*see* note 15, above), has resulted in a holding of constitutionality.

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[21] *Yankee Atomic*, 112 F.3d at 1577.

The decisions of this Court as to retrospectivity of Government exactions of cash speak in terms that are much more demanding than those applied to retrospective rules involving "regulation" properly so called. *See Darusmont*, 449 U.S. at 296-97; pp. 12-13 above and note 15, above. The temporal extent of retrospectivity is examined very critically—Justice O'Connor has indicated that anything over a year would be highly suspect. *Carlton*, 512 U.S. at 38. Most of the tax cases in which a degree of retrospectivity has been involved and sanctioned meet that test. They generally also involve the correction of misinterpretations, errors, or statutory glitches; situations where the amount of the rate of an existing tax was changed, directly or indirectly; transition rules moving from one system to another; or other tweakings of an existing tax system. *See* note 15, above. New retrospective taxes are examined more critically, mainly because there is no notice to the taxpayer who otherwise might alter her behavior to avoid or minimize the tax. *See Hemme*, 476 U.S. at 567-72. Indeed, the view has been expressed that a "new" tax may not constitutionally be retrospective at all. *Carlton*, 512 U.S. at 38 (O'Connor, J., concurring). No decision supports as constitutional, and the approach in all is repugnant to, a new onerous tax of clearly "severe" retroactivity, having no future application, and imposed on a transaction never taxed before. None comes even close.[22]

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[22] Congress, in connection with the 1992 establishment of the Fund, made the Fund available not only to finance the decontamination of the Government's uranium enrichment plants, but also to clean up the operations of commercial companies engaged in mining and milling thorium and uranium. Thus, the exactions from SMUD and other nuclear utilities were intermingled in a fund used to pay private parties, such as Atlas and Kerr-McGee to clean up (i) after their thorium mining and milling, an element SMUD and the other utilities never used, and (ii) after their uranium mining and milling. *See* the 1992 and current statutes, App. 97a-99a, 101a-102a. For the history before the statute, *see Atlas Corp. v. United States*, 895 F.2d 745 (Fed. Cir. 1990). This common-cup

Though a taxing statute, this enactment could not even pass constitutional muster as a "regulatory" statute—if the enrichment plants had been a private enterprise and the assessment was to be paid to them to clean up forty years of mismanagement. The temporal extent of retrospectivity is comparable to the statutes dealing with health problems in the coal industry. But in those cases, parties conducting a business dangerous to the health of employees were the object of statutes designed to relieve the innocent employees, in some cases constitutional and in others not. Here, the impact of the statute is turned around; an essentially blameless party is to be made to contribute to a long-time polluter.

The case is of obvious importance to the nuclear utility industry, past and present—$2.25 billion worth. But it also has an importance beyond the impact on the industry and its former members. The rules which the Court of Appeals misapplied here, including the rule of "rationality" and that of "expectations," are built-in "slippery slopes"; what the Government has done before without judicial check sets a new standard for what the expectations of business men and women will be deemed to have.

2. This Case May Allow Further Analysis of the Constitutional Provisions Relating to Retrospective Legislation. — In the *Eastern Enterprises* case, this Court by a majority vote found an application of a provision of EPACT unconstitutionally retrospective, but a majority was not able to agree upon which provision of the Fifth Amendment required that outcome. Four Justices viewed the statute as violating the Takings Clause, taking private property for public use without just compensation (although the "public use" was, in effect, a transfer to particular individuals). The

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use of the fund seems to make the special assessments on the utilities even more like a tax, and if possible, even more arbitrary. SMUD never used thorium in any manner (it was used for bombs, not in making steam), and SMUD did not even deal with the uranium companies involved.

plurality opinion said that the analyses of the two provisions of the Fifth Amendment generally applied in retrospectivity cases were somewhat "correlated," 524 U.S. at 537, but declined to explore whether the statute also deprived the petitioner of its property without due process of law. Justice Kennedy, fifth Justice in the majority, took the view, at least under the case's circumstances, that "property" as used in the Takings Clause did not include "money." *Id.* at 540-41. As was noted below, the lack of a majority opinion led to considerable concern in the Courts of Appeals as to how to apply the Court's decision in other cases (App. 36a n.10), and it seems to have had an effect on the decision below, which analyzed the issues in a compartmentalized way without due consideration of the Takings analysis, reaching an outcome irreconcilable with *Eastern Enterprises*. App. 37a, 39a, 43a.

This case, which presents an egregious retrospectivity, with a highly specific "special assessment" having the effect of a tax, may present a useful opportunity for the Court to explore those issues more fully. The statute appears to SMUD to be violative of both clauses. As to the Takings Clause, a highly specific quantity of money is being taken by the Government, on a continuing basis each year, and diverted to the Government's own use (a "public use," although for a profit-making enterprise of the Government).[23] While a "Taking" can involve wealth transfers to third parties, this case involves

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[23] A specific cache of money, such as interest on a specific fund, or a fund (like an escrow fund) itself has been held to be "property" within the meaning of the Takings Clause. *Phillips v. Washington Legal Foundation*, 524 U.S. 156 (1998); *Webb's Fabulous Pharmacies, Inc. v. Beckwith*, 449 U.S. 155 (1980). It is not much of a stretch to hold that a demand for a specific amount of money is a demand for "property." It would avoid the paradox of holding that "property" excludes "money" in one clause of the Fifth Amendment but includes it in another. *Cf. Washington Legal Foundation v. Legal Foundation of Washington*, 271 F.3d 835, 866 (9th Cir. 2001) (Kozinski, J., dissenting) ("But money *is* property . . .").

a hard-core transfer of SMUD's money to the United States. "Takings" fits; this Court's statement of the purpose of the Takings Clause is squarely applicable: it "was designed to bar Government from forcing some people alone to bear public burdens which, in all fairness and justice, should be borne by the public as a whole." *Armstrong v. United States*, 364 U.S. 40, 49 (1960).

As to the Due Process Clause, its use to analyze retrospective legislation is well established by this Court. The constitutional provision prohibits governmental deprivation of, among other things, "property," without due process of law. While there certainly is controversy over the extent to which the Due Process Clause can be used in cases of economic regulation—which made the plurality in *Eastern Enterprises* unwilling to analyze the case under that clause—what went on here was not "regulation," but a pecuniary deprivation by the Government, essentially a tax. The Due Process Clause has for at least a century been viewed as appropriate for the analysis of retrospective taxation by this Court, including the author of the plurality opinion in *Eastern Enterprises*. *See Carlton*, 512 U.S. at 37-39.

SMUD does not propose any particular line to be drawn between the constitutional clauses, believing that both were violated here. It makes these observations to suggest a further reason for this Court's review of this extraordinary case.

3. The Winstar Issue.—In the *Winstar* case, this Court held that a targeted regulatory statute which affected a narrow group of entities that had made commercial contracts with the Government (there acting as guarantor of the deposits in thrift institutions), and which clearly would have been a breach of contract if the result were brought about by a private party, would entitle the harmed party to damages. The regulatory statute itself would remain in full force and effect; the Government would have to pay. 518 U.S. at 868-70.

This case would seem to involve an *a fortiori* case from *Winstar*: there was not even a "regulatory" provision here, simply a naked exaction of money from a small group, customers who had bought services under fixed-price written contracts which did not provide for renegotiation and which had been the subject of a release of all liability from the Government at the end of the day. *See* pp. 4-5, 9, above. However, in the 1997 *Yankee Atomic* case, the Federal Circuit held that *Winstar* was inapplicable. It said that the provision of the statute taxing those purchasers of enrichment services who purchased their enriched uranium from another utility (and relieving the reseller from the tax), prevented the statute from being considered an attempt to raise the price of the pre-1992 services. 112 F.3d at 1575-76. That court had also pointed to the fact that the fixed-price contract did not contain an express provision that the price, expressly fixed at the time of delivery, would not be retrospectively increased, as if such provisions were common commercially. *Id.* at 1579-80. SMUD pressed the *Winstar* issue in this case (as did Commonwealth Edison), but the *en banc* court adhered to the split panel ruling in *Yankee Atomic*. App. 38a; p. 9, above.

This Court denied certiorari in *Yankee Atomic*. While SMUD understands that denial of certiorari does not intimate a view on the merits, it would be reluctant to urge that the Court grant certiorari in this case if the only issue passed on by the Court of Appeals here was the applicability of *Winstar*.[24] However, since the present case involves a major decision of the Court of Appeals analyzing retrospectivity

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[24] The decision of the Federal Circuit in *Yankee Atomic* did not discuss Fifth Amendment issues, although the dissenting judge expressed himself on those issues. The petitioner attempted to assert a Fifth Amendment argument in its petition for certiorari. Petition at 19-20, No. 97-801. The Solicitor General responded that the issue had not been pressed below and "is not properly before this Court." Br. in Opp. at 6; 11. The court *en banc* in *Commonwealth Edison* treated the issue as of first impression.

under the Due Process Clause and the Takings Clause in a governmental-commercial context, which will not be presented in another circuit,[25] SMUD respectfully suggests that it might be of use to the Court to consider the closely related issues posed by the failure to apply the *Winstar* decision.

CONCLUSION

For the reasons stated, this Petition for Certiorari should be granted.

Respectfully submitted.

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January 2002

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[25] An attempt by Commonwealth Edison and 21 other utilities to have the issues determined outside of the Federal Circuit was successfully opposed by the Government. *Commonwealth Edison Co. v. United States*, 247 F.3d 1378 (Fed. Cir. 2001), *cert. denied*, No. 01-205, Dec. 3, 2001. *See* App. 30a-33a.

APPENDICES

APPENDIX A

UNITED STATES COURT OF APPEALS,
FEDERAL CIRCUIT

[Filed Nov. 20, 2001]

Nos. 99-5156, 99-5158 and 99-5160.

MAINE YANKEE ATOMIC POWER COMPANY,
Plaintiff-Appellant,

v.

UNITED STATES,
Defendant-Appellee.

SACRAMENTO MUNICIPAL UTILITY DISTRICT,
Plaintiff-Appellant,

v.

UNITED STATES,
Defendant-Appellee.

OMAHA PUBLIC POWER DISTRICT,
Plaintiff-Appellant,

v.

UNITED STATES,
Defendant-Appellee.

Before MAYER, *Chief Judge*, FRIEDMAN, *Senior Circuit Judge*, and GAJARSA, *Circuit Judge*.

PER CURIAM.

In the Energy Policy Act of 1992, Congress imposed liability upon nuclear electric power companies that had

purchased enriched uranium from the United States—the purchases having been made as far back as 1969—for a substantial portion of the government's costs of decontaminating the plants in which it had enriched the uranium. The three appellants—electric utilities that had purchased enriched uranium from the government for their nuclear power plants and who were subject to, and had paid part of, the statutory liability—sued the United States in the Court of Federal Claims, challenging the assessments as a taking of their property for which they sought just compensation and as an unconstitutional retroactive statutory application that denied them due process and equal protection. On the government's motion, the Court of Federal Claims dismissed the complaints, holding that they did not set forth valid constitutional claims.

In *Commonwealth Edison Co. v. United States*, No. 00-5069, also decided today, this court en banc has upheld the constitutionality of that statutory assessment against similar challenges, namely that it takes the property of another utility and denies that utility due process. That decision binds this panel, and requires us to reject the utilities' taking and due process arguments in the instant case.

Two of the utilities in [redacted], Maine Yankee Atomic Power Company and Sacramento Municipal Utility District, also argue that the statute denies them equal protection—a contention not made in *Commonwealth Edison*. As the Court of Federal Claims stated, the utilities argued that "the fact that foreign utilities were exempted from the assessment impermissibly differentiates between similarly—situated entities—*i.e.*, all those that had consumed government-enriched uranium. In addition, plaintiffs contend, the Act draws an illegitimate distinction between purchasers who resold the uranium, and those who kept it for their own purposes, as well as between pre 1992 consumers (who are subject to the

fee) and post 1992 consumers (who are exempt)." *Maine Yankee Atomic Power Co. v. United States*, 44 Fed.Cl. 372, 383 (1999).

The Court of Federal Claims correctly rejected those contentions. We rely upon and accept that court's reasoning:

> With regard to Congress's decision to exempt foreign utilities from liability, we refer to the Supreme Court's observation in *Barclay & Co. v. Edwards*, 267 U.S. 442, 451, 45 S. Ct. 348, 69 L.Ed. 703 (1924) that "[c]onsiderations of policy toward foreign countries may very well justify an exemption of the foreign corporations from taxes that might legitimately be imposed on them, but which Congress does not think it wise to exact." In addition, we think it significant that, as defendant points out in its motion to dismiss, the exclusion of foreign utilities from the liability equation in no way increases or otherwise affects plaintiffs' portion of domestic utility usage.
>
> Similarly, legislatures need not burden the most responsible party to survive rational basis review. *Association of Bituminous Contractors, Inc. v. Apfel*, 156 F.3d 1246, 1255-56 (D.C.Cir.1998). While the original purchasers of uranium (those who resold it and were therefore exempt from assessment) may seem, to plaintiffs, equally to have benefited from the enrichment services, we cannot conclude that Congress's decision to target end-users was without rational basis. And although plaintiffs may have preferred a system under which USEC's post 1992 customers likewise picked up the tab, Congress's assignment of liability for a past problem to past consumers does not stretch the limits of the reasonable.

Id.

The judgments of the Court of Federal Claims dismissing the complaints are AFFIRMED.

Concurring opinion of FRIEDMAN, *Senior Circuit Judge*, in which MAYER, *Chief Judge*, joins.

Since I agree that we are bound by *Commonwealth Edison* and also agree with the court's rejection of the equal protection contention, I join in the opinion and judgment of the court. If I were not bound by *Commonwealth Edison*, however, I would hold that the retroactive assessment denies the appellants due process. My reasons for that conclusion follow.

I

A. During World War II, the United States began enriching uranium, first for military purposes and, starting in the mid 1960s, as nuclear fuel for commercial generation of electricity, which it sold to domestic and foreign utilities. *Maine Yankee Atomic Power Co. v. United States*, 44 Fed.Cl. 372, 374 (1999). The government sold the enriched uranium under fixed price contracts, which did not authorize the government to collect any additional amounts. *Id.* The decontamination and decommissioning of these polluted facilities is expected to take 40 years and to cost up to $20 billion. *Yankee Atomic Elec. Co. v. United States*, 112 F.3d 1569, 1572 (Fed.Cir.1997).

Congress dealt with this problem in the Energy Policy Act of 1992 ("the Act" or "the Energy Act"). *See generally id.* That was comprehensive legislation designed to implement a "national energy policy," a reaction, at least in part, to the adverse economic effects of an oil embargo associated with the military conflict in the Persian Gulf. H.R. Rep. No. 102-474(I), at 132 (1992), *reprinted in* 1992 U.S.C.C.A.N. 1953, 1955.

In this legislation, Congress sought to "reform the current uranium enrichment program of the [government] so that it will be operated in a more business-like fashion." H.R. Rep. No. 102-474(I), at 142 (1992), *reprinted in* 1992

U.S.C.C.A.N. 1953, 1965. The Act established the United States Enrichment Corporation ("Enrichment Corporation") as a government corporation to assume the operation of the government's uranium enrichment services, 42 U.S.C. § 2297, and "which eventually could be sold to the private sector." H.R. Rep. No. 102-474(I), at 142-43 (1992), *reprinted in* 1992 U.S.C.C.A.N. 1953, 1965-66. The Act required that the Enrichment Corporation "[w]ithin 2 years prepare a strategic plan for transferring ownership of the Corporation to private investors." 42 U.S.C. § 2297d(a). The "key purposes of the Corporation includ[ed] providing enrichment services in a business-like fashion, maximizing the economic return to the [government]." H.R. Rep. No. 102-474(I), at 198 (1992), *reprinted in* 1992 U.S.C.C.A.N. 1953, 2021.

The Act provided that the Enrichment Corporation would not be liable for the costs of cleaning up and closing the government's uranium enrichment facilities. 42 U.S.C. § 2297c-2(d). Instead, the Act established the Uranium Enrichment Decontamination and Decommissioning Fund ("Fund") for that purpose. § 2297g. The Fund is financed through both Congressional appropriations and an assessment on those domestic utilities that purchased and used government enriched uranium. § 2297g-1(b).

The Fund is instructed to obtain up to $480 million per year (to be adjusted annually for inflation), with at most $150 million from a special assessment on the domestic utilities. § 2297g-1(a), (c). That assessment is based on each utility's share of the government's enriched uranium sales (whether purchased directly from the government or from another source), which were made prior to October 24, 1992 and that it did not resell. § 2297g 1(c). The special assessment terminates after 15 years or after $2.25 billion has been collected. § 2297g-1(e).

The Act also provided that the special assessments "shall be deemed a necessary and reasonable current cost of fuel and shall be fully recoverable in rates in all jurisdictions in the same manner as the utility's other fuel cost." 42 U.S.C. § 2297g-1(g).

B. The three appellants filed separate complaints in the Court of Federal Claims, as did a number of other similarly-situated electric utilities. They contend that the special assessment constituted a breach of the fixed-price contract under which they had purchased enriched uranium from the government. The complaints included the following factual allegations, which we accept for purposes of the government's motions to dismiss. *Highland Falls-Fort Montgomery Cent. Sch. Dist. v. United States*, 48 F.3d 1166, 1169-70 (Fed.Cir.1995) ("[W]e assume that all well-pled factual allegations are true and indulge in all reasonable inferences in favor of the movant.").

The appellants—Maine Yankee Atomic Power Company ("Maine Yankee"), Sacramento Municipal Utility District ("Sacramento District"), and Omaha Public Power District ("Omaha District") (collectively "the Utilities")—all operated nuclear power plants and purchased government-produced enriched uranium before 1992. Thus, as domestic utilities that purchased and used government provided enriched uranium, each is liable for a portion of the Act's special assessment, and each has paid millions of dollars.

The Utilities also allege that the government completely contaminated its enrichment facilities (buildings, equipment, property, and surrounding property) prior to 1969, at a time when they were used almost exclusively for defense purposes. Little, if any, additional contamination occurred after 1969, when these facilities were used to enrich uranium for sale to commercial utilities.

Maine Yankee is a domestic utility that operated a single nuclear power plant, which was permanently closed in 1996.

It purchased enriched uranium from the government from 1970 to 1986 under two contracts, one executed on October 2, 1970 and the other on November 4, 1982. On its purchases of government enriched uranium, Maine Yankee is subject to a $25 million special assessment, of which it has paid more than $9.8 million.

Sacramento District is a municipal utility district in California that generates electricity and operated a nuclear generating facility, which it closed in 1989. During the operation of that facility, the Sacramento District purchased enriched uranium from the government, beginning in 1969 and ending in 1981. In 1990, the Sacramento District terminated its contract for purchasing enriched uranium. Because of those purchases, Sacramento District has paid $5.8 million in special assessments and expects its total liability to reach $8 million.

Omaha District is a domestic utility that generates and supplies electricity in Nebraska. It purchased enriched uranium from the government between 1969 and 1992 under two contracts. Omaha District has paid special assessments of more than $7.4 million, and estimates its total liability to be nearly $20 million.

One of the other utilities that filed such a suit in the Court of Federal Claims was Yankee Atomic Electric Company. That court granted Yankee Atomic summary judgment, holding that "the assessment imposed upon Yankee Atomic to fund clean-up costs constitutes an unlawful exaction because it violates the Government's earlier contractual agree ments to supply enriched uranium at fixed prices." *Yankee Atomic Elec. Co. v. United States*, 112 F.3d 1569, 1571 (Fed.Cir.1997). On the government's appeal, we reversed. *Id.* We held that the special assessment did not constitute a retroactive increase of the contract price, *id.* at 1575, but instead "constitutes a general exercise of Congress's taxing power for the purpose of addressing a societal problem rather

than an act that retroactively increases the price charged to contracting parties for uranium enrichment services," *id.* at 1577.

After our decision in *Yankee Atomic*, the Utilities amended their complaints to assert claims not addressed in *Yankee Atomic*; namely, that the assessment was a taking of their property and denied them due process in violation of the Fifth Amendment. Maine Yankee and the Sacramento District also asserted that the assessment denied them equal protection.

On the government's motion, the Court of Federal Claims granted summary judgment dismissing the complaints for failure to state a claim upon which relief could be granted. *Maine Yankee Atomic Power Co. v. United States*, 44 Fed. Cl. 372 (1999); *Omaha Pub. Power Dist. v. United States*, 44 Fed. Cl. 383 (1999); *Sacramento Mun. Util. Dist.*, 44 Fed.Cl. 395 (1999).

In an opinion dealing with the three cases (but issued separately for each case), the court first held that *Yankee Atomic* was not stare decisis on the constitutional issues the Utilities raised. *Maine Yankee*, 44 Fed.Cl. at 376-77. In holding that the complaints did not state a valid takings claim, the court concluded that none of the factors in "a traditional takings analysis . . .—the economic impact of the legislation, the reasonableness of plaintiffs' investment-backed expectations and the character of the government action—support the finding of a taking of property." *Id.* at 381. The court rejected the Utilities' due process claim based on the retroactivity of the assessment. *Id.* at 379-80. The court concluded its discussion of these issues with the following statement:

> Whether we analyze the assessment under the Due Process Clause, under the Takings Clause, or under some amalgam of the two, we are, in the end, faced with a single, basic question: Is it inherently unfair, unjust, or irrational for Congress, when faced with costs resulting

> from the enrichment of uranium, to ask those parties who received the uranium to contribute to the solution? The answer, quite clearly, is no. Plaintiffs' assessments are directly proportional to their usage of uranium enrichment services the very services which created the contamination. Congress itself took responsibility for more than two thirds of the clean-up costs and assigned the rest, as a general tax, to the rate-payers in districts which had previously benefited from nuclear power. Such a scheme can hardly be construed as beyond the reach of fairness or rationality.

Id. at 382-83.

Finally, the court rejected the claim that the special assessment denied Maine Yankee and the Omaha District equal protection because it did not cover (1) foreign utilities or (2) utilities that purchased but resold government- enriched uranium. The court denied this claim since "legislatures need not burden the most responsible party to survive rational basis review." *Id.* at 383 (citing *Ass'n of Bituminous Contractors, Inc. v. Apfel*, 156 F.3d 1246, 1255-56 (D.C.Cir.1998)).

II

A. The Supreme Court has noted that "the presumption against retroactive legislation is deeply rooted in our jurisprudence, and embodies a legal doctrine centuries older than our Republic. Elementary considerations of fairness dictate that individuals should have an opportunity to know what the law is and to conform their conduct accordingly; settled expectations should not be lightly disrupted." *Landgraf v. USI Film Prods.*, 511 U.S. 244, 265, 114 S. Ct. 1483, 128 L.Ed.2d 229 (1994) (footnotes omitted). When the retroactivity is severe, the legislation may violate the Due Process Clause. *See United States v. Carlton*, 512 U.S. 26, 32, 114 S. Ct. 2018, 129 L.Ed.2d 22 (1994) (concluding that the application of a 1987 federal tax statute to a 1986 transaction

did not violate due process in part because "Congress acted promptly and established only a modest period of retroactivity."); *see also id.* at 38, 114 S. Ct. 2018 (O'Connor, J., concurring) ("A period of retroactivity longer than the year preceding the legislative session in which the law was enacted would raise, in my view, serious constitutional questions."). In exceptional circumstances not involving tax law, however, longer retroactivity has been held not to deny due process. *See Usery v. Turner Elkhorn Mining Co.*, 428 U.S. 1, 96 S. Ct. 2882, 49 L.Ed.2d 752 (1976), discussed in Part III B below.

Another pertinent principle is that economic legislation has a presumption of constitutionality, which may be overcome by demonstrating that the legislation is arbitrary or irrational. *Turner Elkhorn*, 428 U.S. at 15, 96 S. Ct. 2882 (noting that "legislative Acts adjusting the burdens and benefits of economic life come to the Court with a presumption of constitutionality, and that the burden is on one complaining of a due process violation to establish that the legislature has acted in an arbitrary and irrational way") (citing, for example, *Ferguson v. Skrupa*, 372 U.S. 726, 83 S. Ct. 1028, 10 L.Ed.2d 93 (1963); *Williamson v. Lee Optical Inc.*, 348 U.S. 483, 487-88, 75 S. Ct. 461, 99 L.Ed. 563 (1955)). Thus, to prevail here, the Utilities must demonstrate that the Act is arbitrary and irrational as applied to them. They have carried that burden.

The special assessment was wholly retroactive: it covered only purchases of enriched uranium before the effective date of the Act. The retroactivity was severe. It reached back to the Utilities' enriched uranium purchases that occurred up to twenty-two years (or twenty-three years, in the case of Omaha District) before the Act was passed, six years after Maine Yankee had stopped purchasing government enriched uranium, and three years after Sacramento District closed its

plant. It also was substantial, subjecting the Utilities to additional charges which they assert would total $25 million, $8 million and almost $20 million for the three companies.

The Utilities did not cause or contribute to the contamination of the government's plants, which the special assessment was designed to cure, and did not benefit from it. The Utilities allege that the contamination occurred prior to the beginning of their purchases, when the plants were producing enriched uranium "almost exclusively" for the military, and that "[l]ittle, if any additional contamination" occurred thereafter. Moreover, when the Utilities entered into the purchase contracts at a fixed price, they had no reason to believe, or even suspect, that years later the government would seek to make them pay for a substantial portion of its cleanup costs. They may well have understood and expected that the government would incur substantial expenses in making that cleanup, but they reasonably would have believed that the charges the government made for the enriched uranium included the cleanup cost. They certainly had no basis to expect that they would be subject to the additional large amounts of the assessments.

To be sure, the Utilities benefited from their participation in the government's uranium enrichment program, but the plant contamination and the cost of cleaning it up arose from an earlier stage of that program (when the Utilities were not participants). For the reasons just given, however, the Utilities' participation is not a sufficient basis under the Due Process Clause to subject the Utilities to such a substantial portion of the costs of cleaning up the contamination, which they did not cause and from which they did not benefit.

B. The government contends that *Usery v. Turner Elkhorn Mining Co.*, 428 U.S. 1, 24, 96 S. Ct. 2882, 49 L.Ed.2d 752 (1976), supports the retroactive assessment against the Utilities. *Turner Elkhorn* involved a provision of the Federal Coal Mine Health and Safety Act of 1969, 83 Stat. 792, as

amended by the Black Lung Benefits Act of 1972, 86 Stat. 150, 30 U.S.C. § 901 *et seq.*, that required mining companies to pay death or total disability benefits to employee miners suffering from pneumoconiosis (black lung disease), as applied to miners who had stopped so working before the effective date of the Act. The disease, whose symptoms may "become apparent only after a miner has left the coal mines," *id.* at 8, 96 S. Ct. 2882, "is caused by long-term inhalation of coal dust," *id.* at 6, 96 S. Ct. 2882. The mining companies challenged this retroactive application of the Act as violating due process.

The Supreme Court upheld the Act against this challenge. The Court recognized that the legislation imposed new liability for disabilities developed prior to enactment, but concluded that such retroactivity was "justified as a rational measure to spread the costs of the employees' disabilities to those who have profited from the fruits of their labor." *Id.* at 18, 96 S. Ct. 2882. It reflected the "interlocking economic rights and duties of employers and employees," and "adjust[ed] the burdens and benefits of economic life." *Id.* at 15, 96 S. Ct. 2882. Thus, *Turner Elkhorn* held that it was not a due process violation for legislation "to satisfy a specific need created by the dangerous conditions under which the former employee labored--to allocate to the mine operator an actual, measurable cost of his business." *Id.* at 19, 96 S. Ct. 2882.

The Court, however, in sustaining the presumptions of the Coal Act relating to total disability, which were also at issue in the case, stated: "To the extent that the presumption of death due to pneumoconiosis is viewed as requiring compensation for damages resulting from death unrelated to the operator's conduct, its application to employees who terminated their employment before the Act was passed would present difficulties not encountered in our prior discussion of retroactivity. The justification we found for the retrospective application of the Act is that it serves to spread

costs in a rational manner—by allocating to the operator an actual cost of his business, the avoidance of which might be thought to have enlarged the operator's profits. The damage resulting from a miner's death that is due to causes other than the operator's conduct can hardly be termed a 'cost' of the operator's business." *Id.* at 24, 96 S. Ct. 2882; *see also Concrete Pipe and Prods. v. Constr. Laborers Pension Trust*, 508 U.S. 602, 641, 113 S. Ct. 2264, 124 L.Ed.2d 539 (1993); *United States v. Carlton*, 512 U.S. 26, 31, 114 S. Ct. 2018, 129 L.Ed.2d 22 (1994). Thus, in *Turner Elkhorn*, the Supreme Court recognized culpability as an important factor supporting the imposition of retroactive liability.

There is a critical difference between *Turner Elkhorn* and the present case that precludes the application of *Turner Elkhorn* here. In *Turner Elkhorn* the miners' illness was caused by conditions that existed when they were working for the company, for which it was responsible and which "profited from the fruits of their labor." The company, therefore, could fairly be charged with responsibility for its former employees' condition.

In the present case, however, the contamination occurred before the government sold enriched uranium to the Utilities, which neither were responsible for nor benefited from the contamination. In these circumstances, as shown, it would be unfair and unreasonable to subject the Utilities to a substantial additional charge to cure the contamination they neither caused nor benefited from.

In many (if not most) of the cases in which the Supreme Court rejected Due Process challenges to retroactive legislation, the statute dealt with the relationships, financial and otherwise, among private parties; the government's role was only the regulation of those relationships. In the present case, however, the statute deals with the relationship between the government and private parties; it seeks to transfer to those parties a substantial portion of the government's costs of

rectifying the contamination of its plants used to produce the product it sold to those parties. It is by no means clear that those Supreme Court cases may be automatically and uncritically applied to the significantly different situation here involved.

C. The government contends that the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("Environmental Response Act"), 42 U.S.C. § 9601 *et seq.* (1994), supports the validity under the Due Process Clause of the retroactive assessment of clean-up costs on the Utilities. Among other things, that Act provides for the clean-up of inactive hazardous waste disposal sites and established a Hazardous Substances Response Trust Fund ("Superfund") to pay for it. The Superfund was funded initially, and in large part, by special taxes on certain petroleum products and chemicals and was to be replenished by assessments on persons responsible for the waste. Hazardous Substance Response Revenue Act of 1980, Title II, Subtitle A §§ 611, 4661, Title II, Subtitle B, § 221, 26 U.S.C. §§ 611, 4661, 42 U.S.C. § 9631. The government used the Superfund to fund the clean-up and replenished the cost by charging the persons responsible for the hazardous waste. 42 U.S.C. §§ 9604(a)(1), 9607. Such responsible persons include those involved in the cleanup work, including "the owner and operator of . . . a facility," anyone who at the time of disposal "owned or operated any facility at which such hazardous substances were disposed of," anyone who arranged for or participated in the "transport for disposal or treatment, of hazardous substances" and anyone who "accepted any hazardous substances for transport to disposal treatment facilities, incineration vessels or sites selected by such person, from which there is a release, or a threatened release which causes the incurrence of response costs, of a hazardous substance." 42 U.S.C. § 9607(a).

The Environmental Response Act thus retroactively imposes liability on numerous persons for cleanup of pre-enactment contamination.

The government cites two Court of Appeals cases that upheld the retroactive application of the Environmental Response Act against Due Process challenges to its constitutionality, as support for the constitutionality of the retroactive assessment against the Utilities. *United States v. Northeastern Pharm. & Chem. Co.*, 810 F.2d 726 (8th Cir.1986), held liable for cleanup costs individuals who arranged for the transportation and dumping of hazardous waste before the effective date of the Act. In *United States v. Monsanto Co.*, 858 F.2d 160, 174 (4th Cir.1988), the court ruled that retroactive application of the Environmental Response Act did not violate due process as applied to (1) landowners who leased their property to a company that stored hazardous waste on the land and (2) the companies that generated the waste but which contracted with another waste-handling business, which provided transportation, recycling and disposal of chemical waste. Noting that the companies that generated the waste profited from inexpensive waste disposal methods that may have been technically legal prior to the [Environmental Response Act]'s enactment, it was certainly foreseeable at the time that improper disposal could cause enormous damage to the environment. [The Environmental Response Act] operates remedially to spread the costs of responding to improper waste disposal among all parties that played a role in creating the hazardous conditions . . . . [T]he retroactive application of [the Environmental Response Act] does not violate due process. *Id.* at 174 (citations omitted).

In the present case, however, the Utilities did not participate in any way, directly or indirectly, or play any role in, the creation of the hazardous conditions at the government's uranium facilities. The Utilities merely purchased enriched uranium after the contamination had occurred, long before the

passage of the Energy Act. The Utilities' tangential connection with the contamination of the government's uranium enrichment facilities is quite different from the relationships to the hazardous waste disposal of the persons held constitutionally liable under the Environmental Response Act.

D. The government also contends that because 42 U.S.C. § 2297g-1(g) provides that the assessments "shall be deemed a necessary and reasonable current cost of fuel and shall be fully recoverable in rates in all jurisdictions in the same manner as the utility's other fuel cost," the Utilities will be able to pass the assessments on to their customers, and that the assessments, therefore, will not have any substantial economic impact on them.

It is impossible to predict, however, to what extent (if any) state and local regulatory agencies and courts would permit the Utilities to treat the assessments as a "current cost of fuel" in determining their rates. The question whether § 2297g-1(g) preempts state regulatory authority in this area appears difficult. The power of Congress to require that particular items be included in the Utilities' costs for rate making purposes is uncertain. Regulation of retail electric power rates is a traditional function of state government. The likelihood of the state action that the government envisions is far too speculative and conjectural to constitute a valid basis for upholding the assessments.

In any event, the question whether, and to what extent, the state regulatory agencies and courts will recognize the assessment as part of the Utilities' costs for rate making purposes appears more appropriately an issue for the damages phase of these cases than for the liability phase.

E. In sum, I conclude that the Utilities' complaints have stated a valid claim under the Due Process Clause, and that the Court of Federal Claims erred in dismissing the complaints for failure to state a claim upon which relief could be granted.

APPENDIX B

UNITED STATES COURT OF APPEALS,
FEDERAL CIRCUIT

[Nov. 20, 2001]

No. 00-5069

COMMONWEALTH EDISON COMPANY,
Plaintiff-Appellant,

v.

UNITED STATES,
Defendant-Appellee.

Before MAYER, *Chief Judge*, NEWMAN, MICHEL, LOURIE, CLEVENGER, RADER, SCHALL, BRYSON, GAJARSA, LINN, and DYK, *Circuit Judges.**

DYK, *Circuit Judge.*

This case is one of a large number of cases brought in the Court of Federal Claims challenging the constitutionality of the Energy Policy Act of 1992, Pub.L. No. 102-486, 106 Stat. 2776 (codified as amended in various sections of 42 U.S.C.) ("EPACT" or "the Act"), which imposes special monetary assessments on domestic utilities for the remediation of environmentally contaminated uranium processing facilities owned by the United States. *See* 42 U.S.C. § 2297g 1. After argument before a panel on April 4, 2001, we *sua sponte* ordered that the case be heard in banc without additional briefing. The case was heard in banc on October 3, 2001.

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* Circuit Judge Prost, who entered on duty on October 3, 2001, has not participated in the disposition of this case.

In light of our decision in *Consolidated Edison Co. v. United States*, 247 F.3d 1378 (Fed.Cir.2001),[1] Edison's request for a stay of the proceedings in the Court of Federal Claims has become moot.

On the merits, we conclude that requiring plaintiff Commonwealth Edison Company ("Edison") and the other domestic utilities that benefited from the uranium processing services to contribute to the remediation costs does not constitute a Fifth Amendment taking because the Takings Clause does not apply to legislation requiring the payment of money. We also conclude that the Act does not violate the Due Process Clause of the Fifth Amendment. The retroactive application of the Act rationally furthers a legitimate legislative objective—the remediation of contaminated facilities used by the United States to process uranium for domestic utilities. Congress reasonably concluded that the utilities received benefits from the processing and that the utility processing contributed to the contamination. Liability was imposed on those utilities for only a portion of the cleanup costs. As a matter of law, Edison and other similarly situated utilities could have reasonably expected to be liable for a share of the remediation costs arising from the contamination of the processing facilities. Edison's other arguments on the merits are foreclosed by our decision in *Yankee Atomic Electric Co. v. United States*, 112 F.3d 1569 (Fed.Cir.1997), *cert. denied*, 524 U.S. 951, 118 S. Ct. 2365, 141 L.Ed.2d 735 (1998).

We therefore dismiss as moot the appeal from the denial of the stay request and affirm the decision of the Court of Federal Claims dismissing the complaint.

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[1] This opinion replaced our previous decision in that case, reported at 234 F.3d 642 (Fed.Cir.2000).

BACKGROUND

This case arises against the background of our earlier decision in *Yankee Atomic* where we rejected contentions that EPACT breached uranium processing contracts between Yankee Atomic Electric Co. ("Yankee Atomic") and the United States and constituted a taking of those contract rights. Some of the claims asserted by Edison are the same as those asserted in *Yankee Atomic*. Edison also claims that the statutory obligation to pay money to the government constitutes a taking of that money, and that the retroactivity of the Act renders it unconstitutional under the Due Process Clause.

Resolution of this appeal requires a brief overview of the history of the United States government's involvement in the enrichment of low-grade uranium for Edison and other domestic utilities, as well as the provisions of EPACT.

The uranium processing facilities involved here were originally constructed and operated by the United States government for national defense purposes. Between 1945 and 1970, approximately 96% of the enriched uranium produced by the government was used for weapons production. These facilities were also capable of producing enriched uranium for nuclear power reactors.

Before 1954, United States law permitted only the United States government to own nuclear power reactors. In 1954, however, Congress enacted amendments to the Atomic Energy Act of 1954, Pub.L. No. 83-703, 68 Stat. 919, which for the first time authorized private ownership of nuclear power reactors. The government extensively regulated these reactors, *inter alia*, "to protect the health and safety of the public" from the possible environmental hazards. *Id.* at § 2 (codified as amended at 42 U.S.C. § 2210).

Plaintiff Edison is a domestic utility company with its principal place of business in Illinois. Beginning in 1960,

Edison owned and operated nuclear reactors, which it used to generate electrical power for sale and distribution to its customers in Illinois. Those nuclear reactors, in turn, required enriched uranium.

Edison alleges that in 1960 it began to "purchase or lease" enrichment services from the government. However, we note that until 1964 the government retained strict control over the technology used to enrich low-grade uranium for use in nuclear reactors, and barred private ownership of enriched uranium. In that year, Congress passed the Private Ownership of Special Nuclear Materials Act, Pub.L. No. 88-489, 78 Stat. 602 (1964), which authorized the private ownership of enriched uranium. After the passage of that act, the government began to offer uranium enrichment services to commercial customers like Edison.

Beginning in 1969, Edison entered into a series of multi-year contracts with the United States government in which Edison agreed to purchase uranium enrichment services from the United States. Those enrichment services were provided at enrichment plants operated first by the Atomic Energy Commission and later (beginning in 1974) by the Energy Research and Development Administration and, ultimately (beginning in 1977) by the Department of Energy (collectively, "DOE").

Under those contracts, Edison delivered low-grade uranium to the government-owned facilities for enrichment. The government took title to the low-grade uranium, processed the uranium, and returned enriched uranium to Edison. The enrichment services were measured in terms of "separative work units" ("SWUs"). The plaintiff here, like other domestic utilities, paid for the services by multiplying the number of SWUs provided by the unit price set forth in its contracts with the government. Although the utilities' contracts varied somewhat, each stated that the price paid by the utility for the enrichment services would be based on an "established

Commission pricing policy," defined under the contracts as the price in effect at the time the service was rendered. A number of these contracts also capped the maximum per unit charge for the enrichment services. Edison alleges in its complaint that it purchased a portion of its uranium enrichment services "with the Government's knowledge and consent, from other sources." First Amended Complaint of Plaintiff-Appellant Commonwealth Edison Company (hereinafter "Complaint") at § 50.

Edison alleges that "[b]y the late 1970s and early 1980s, foreign suppliers of uranium enrichment services emerged, threatening the Government's monopoly power and creating significant competition for the Government." *Id.* at § 41. Edison further alleges that the Government's share of the uranium processing market "declined substantially, from nearly 100% in the 1960s and 1970s, to below 50% in 1983." *Id.* Edison elected, however, to continue to use government processing facilities even though those foreign alternatives became available.

In January 1984, the government developed a standard requirements-type contract for uranium enrichment services, referred to as a Utility Services Contract. In July 1984, Edison entered into a Utility Services Contract after terminating all of its existing uranium enrichment services contracts with the government through a Supplemental Agreement of Settlement ("Settlement Agreement"). This Utility Services Contract, like the previous contracts, charged the utilities for the services according to the "established pricing policy," and likewise capped the maximum unit charge. It appears that the government developed this Utility Services Contract, at least in part, at the request of Edison and the other domestic utilities.

As a result of the government's use of the processing facilities for national defense purposes, they had become contaminated, even before the utilities' uranium processing

commenced. Although Edison alleges that the facilities were "fully contaminated with radioactive and other hazardous materials" before they began to be used for the processing of the utilities' uranium, Complaint at § 23, there is no question that the processing of the utilities' uranium caused the same type of contamination as the government's earlier use of the facilities to enrich uranium for weapons purposes. Indeed, Edison at oral argument specifically conceded that that was the case, and agreed that contamination cleanup costs are incurred any time uranium is enriched, including when it is enriched for the benefit of the utilities. Edison alleged, however, that the cleanup costs were not "materially" increased by the later contamination resulting from the utility uranium processing.[2]

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[2] At oral argument, counsel for Edison explained Edison's contribution to the contamination as follows:

> COUNSEL FOR EDISON: If it can be demonstrated—in our cases there's nothing in the record—but if it can be demonstrated that there was additional cost associated with the enrichment being—services provided to the commercial utilities, then perhaps there would be an argument that we have a certain responsibility . . . .
> THE COURT: Well, of course there are. You can't run a nuclear enrichment program without creating contamination, so of course—we can quarrel about exactly how to measure them or how big they are, but of course there are contamination cleanup costs.
>
> COUNSEL FOR EDISON: There are. Let me try to make an analogy . . . . I know in terms of nuclear utilities, when they have boiling water, nuclear generated, and they periodically are required to decontaminate, what they do is they have these very large deep swimming pool type reactors. What they do is paint the well of the reactor with a rubberized paint that the contamination adheres to. Then they peel that paint off and the— . . . . The contamination adheres to that paint. So regardless of whether there is a half inch of contamination or a full inch of contamination, all the contamination

Edison also admits in its complaint that the obligation to decontaminate and decommission the facilities "was an obligation well understood by operators of nuclear facilities throughout the industry." Complaint at § 31. Although the contracts provided for recovery of the government's costs of operating the plants and fixed the price as of the time of delivery, the original contracts, the Utility Services Contract, and the Settlement Agreement did not expressly preclude (or even address) the government's future assignment to Edison of any remediation costs for the decontamination of the government's uranium enrichment facilities.[3]

These remediation costs were addressed by Congress in 1992. Faced with its declining share of the uranium processing market, Congress decided to restructure the government's uranium processing services in order to remain

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adheres to that rubberized paint and you just peel it off, and the cost is no more.

THE COURT: Well, that's basically your point, that the processing of the utilities' uranium caused pollution, but it didn't cost any more to clean it up than it would have cost to clean up the weapons pollution, right?

COUNSEL FOR EDISON: Exactly. Yes, Sir.

[3] The Utility Services Contract merely stated, in pertinent part, that:

> [T]he Customer and DOE desire to terminate all previous long-term contracts between the Customer and DOE for the furnishing of uranium enrichment services *in order to accommodate the Customer's desire to obtain such services under the Utility Services form of uranium enrichment services contract* . . . .

(Emphasis added.).

That contract further provided that "the unit charge for enrichment services under this contract shall not exceed a ceiling charge of $135.00 per separative work unit through September 30, 1985."

The Settlement Agreement provided that "the Government agrees that all obligations arising under the [previous] contracts or by reason of their termination shall be deemed to be concluded."

competitive with its overseas providers. Congress created a new, for-profit, governmental corporation called the United States Enrichment Corporation ("USEC") to provide those services to Edison and other domestic utilities.

At the same time that it created the USEC, Congress in EPACT addressed the need to decontaminate and decommission the government's uranium enrichment facilities. The DOE "estimated that the total cost of this clean up could exceed $20 billion over 40 years, which amounted to about $500 million per year, indexed to inflation." *Yankee Atomic*, 112 F.3d at 1572. As this court noted in *Yankee Atomic*, "[b]ecause [the magnitude of] this decontamination and decommissioning fiscal problem was not [fully] recognized until the 1980s, the prices charged in the Government's past uranium enrichment contracts had not accounted for the problem." *Id.*

EPACT established a Uranium Enrichment Decontamination and Decommissioning Fund (the "Fund") to accumulate over a fifteen-year period the funds necessary to remediate the uranium enrichment facilities. 42 U.S.C. §§ 2297g, 2297g 1. The Act provided that the costs were to be shared by the government and those domestic utilities that benefited from processing at government facilities. The Act accordingly provided that the annual deposits of $480 million (adjusted for inflation) would come from two sources: (1) up to $150 million (or up to approximately 32% of the total amount) was to be collected as a special assessment from domestic utilities[4] that purchased (on the primary or secondary markets) the uranium enriched at these facilities; and (2) the balance of at least $330 million—the lion's share

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[4] The implementing regulations for the Fund defined "domestic utility" as any utility in the United States that purchased SWUs from the government between 1945 and October 23, 1992. *See* 10 C.F.R. § 766.3. It is undisputed that Edison meets this definition.

of the costs, amounting to at least 68%—was to be paid by the government. The Act further provided that the imposition of these special assessments on Edison and the other utilities would cease after the earlier of 15 years after October 24, 1992 (the date of EPACT's enactment) or the collection of $2.25 billion (again adjusted for inflation) from the domestic utilities. *See* 42 U.S.C. § 2297g-1.

Under the Act, the special assessment imposed on each domestic utility was based on the percentage of SWUs purchased from the DOE relative to the total number of SWUs produced by the DOE. 42 U.S.C. § 2297g-1(c). As noted above, the Act provided that a domestic utility was considered to have purchased a SWU from the DOE if the SWU was originally produced by the DOE, even if the utility actually purchased it from another source. Similarly, a utility was not considered to have purchased a SWU from the DOE if it subsequently resold that SWU to another utility. As this court noted in *Yankee Atomic*, "[i]n sum, the Act impose[d] the assessment upon whichever utility company eventually use [d] the enrichment services." 112 F.3d at 1572.

Two groups of purchasers of uranium enrichment services were exempt from the special assessment: (1) domestic utilities that purchased USEC services any time after 1992; and (2) foreign utilities, which represented 25% of DOE's pre-1992 customer base. *See Commonwealth Edison Co. v. United States*, 46 Fed. Cl. 29, 33 n. 1 (2000); *see also* Complaint at § 25 (alleging that sales to foreign utilities historically "accounted for approximately 25% of the Government's commercial uranium enrichment market").

EPACT also provided the utilities with a "pass-through" provision, providing in pertinent part that the special assessment "shall be deemed a necessary and reasonable current cost of fuel and shall be fully recoverable in rates in all jurisdictions in the same manner as the utility's other fuel cost." 42 U.S.C. § 2297g-1(g). This statutorily mandated

pass-through provision was binding on state regulatory agencies. *See Mississippi Power & Light Co. v. Mississippi*, 487 U.S. 354, 369-72, 108 S. Ct. 2428, 101 L.Ed.2d 322 (1988); *Nantahala Power & Light Co. v. Thornburg*, 476 U.S. 953, 962-65, 106 S. Ct. 2349, 90 L.Ed.2d 943 (1986). At oral argument, counsel for Edison conceded that Edison sought to recover the costs of the special assessment by passing the costs through to Edison's customers, though counsel expressed some doubt whether Edison recovered those costs in light of deregulation of the market and the competitive rates that deregulation produced.

The cost-sharing provisions were enacted after "much congressional debate over the issue of how these costs should be recovered, especially to what extent DOE's nuclear utility customers should be expected to share in paying for these costs." 138 Cong. Rec. H11,399, H11,401 (1992) (statement of Rep. Phillip Sharp on Conference Report), *reprinted in* Senate Comm. On Energy & Natural Res., 103d Congress 2d. Sess., *6 Legislative History of the Energy Policy Act of 1992*, at 4519, 4553 (Comm. Print 1994). Ultimately, the utilities' share was limited to 32% even though the House Report concluded that "[h]istorical production from these plants ha[d] been divided almost evenly between the government and commercial sectors." H.R. Rep. No. 102-474(I), at 144 (1992), *reprinted in* 1992 U.S.C.C.A.N. 1953, 1967.

Indeed, Edison and other utilities participated actively in shaping the legislation that became EPACT and approved the concept of cost sharing. *See Comprehensive National Energy Policy Act: Hearings on H.R. 776 Before the House Comm. on Ways & Means*, 102d Cong. 170-83 (1992) ("Committee Hearings I"). During the course of EPACT's consideration, the House Committee on Energy and Commerce proposed to impose "a $419 million annual liability, or a $9 billion [liability] over 20 years," on the utility industry for remediation of the enrichment facilities. *Id.* at 181. In

Edison's case the company estimated that this funding proposal, if enacted, would increase its uranium enrichment costs by "one third" over the amount it had already agreed to pay. *Id.*

In the hearings on EPACT, Edison's President complained that the industry was being asked to pay a "disproportionate share" of the costs, and, as in the present Complaint, stated that "virtually all the contamination at [the government enrichment] facilities occurred during the first 20 years of operations, when operations were strictly for the defense program." *Id.* at 180-81 (statement of Bide L. Thomas, President, Commonwealth Edison Co., *et al.*).[5] Edison offered no independent study of the industry's relative contribution to the contamination and relied entirely on the testimony of the Department of Energy. That testimony, by Assistant Secretary for Nuclear Energy William Young, was that "there is additional pollution in the area of the sites [of the enrichment facilities] because of commercial operations subsequent to the exclusive operation [of the facilities] for the government." *Department of Energy Budget Request for Fiscal Year 1993: Oversight Hearing Before the Subcomm. On Energy and the Env't of the House Comm. on Interior and Insular Affairs,* 102d Cong. 80 (1992) ("Committee Hearings II"). He estimated the remediation costs for that portion of the pollution attributable to the enrichment of the utilities' uranium amounted to approximately $1.6 billion, out of a total cost of approximately $18.5 billion. He concluded that "[i]f you look at it from a polluter-pays basis, about $1.6

[5] This testimony was a joint statement of Bide L. Thomas; Michael R. Peevey, President, Southern California Edison Co.; and Joseph M. Farley, Chairman and Chief Executive Officer, Southern Nuclear Operating Co. *See id.* at 178.

billion of that $18.5 billion would be properly allocated to commercial customers" of the enrichment facilities. *Id.* at 79.[6]

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[6] Assistant Secretary Young further explained this proposed allocation when questioned by Representative Kostmayer during his testimony:

> MR. KOSTMAYER: Who else did the polluting besides the government?
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> MR. YOUNG: In some cases, there is additional pollution in the area of the sites because of [the] commercial operations subsequent to the exclusive operation for the government. Some of the tailings are there as a result of commercial operations, for example.
>
> MR. KOSTMAYER: Commercial operations conducted by some party other than the government?
>
> MR. YOUNG: No, no. We have run the diffusion plants. A certain amount of the tails are there because of [the] SWUs produced for the government. Another certain amount of the tails are there because of SWUs produced for commercial customers.
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> . . .
>
> MR. YOUNG: . . . The largest piece of [the estimated total cleanup cost] is $14 billion which is [decontamination and decommissioning] of the buildings and systems themselves. Of that, because of the government operation having led to the contamination, we are saying the government would pay 100 percent of that.
>
> There are two other elements of the cleanup that has got to take place. One is on the grounds around the facilities and we are saying that some of the contamination that occurred in the ground resulted not solely from the 20 years of government operation, but a measurable amount more resulted from the commercial—operation to the benefit of commercial customers. And since we did not pass those costs on in the past, we feel it is equitable to pass those costs on in the future.
>
> Further, with the tails, some of the tails were created for the benefit of commercial customers, and the portion that was, and again, not passed on in the past, we feel it is equitable to pass it on to commercial customers at this time. Committee Hearings II at 80-81.

Based on Edison's view of the industry's responsibility for the contamination, Edison reaffirmed its and other utilities' "willingness to pay a fair share of the [decontamination and decommissioning costs] for these [enrichment] facilities." Committee Hearings I at 182; *see also id.* at 172 ("[T]he industry is willing to participate in the cleanup program . . . .") (testimony of Bide L. Thomas, President, Commonwealth Edison Company). But Edison and other utilities objected that their share should not exceed the $1.6 billion estimated by the Department of Energy, and sought "a cap to protect ratepayers from being assessed more than their fair share of costs." *Id.* at 181. Edison and other utilities urged Congress to adopt a compromise funding proposal—one adopted by the House Committee on Science, Space and Technology (the "Science Committee")—that would have capped the utilities' liability for the remediation costs at $2.5 billion. Edison and two other utilities stated, on behalf of themselves and two industry interest groups,[7] that:

> While $2.5 billion is significantly more than the $1.6 billion that DOE estimates the civilian sector should contribute [to the remediation of the enrichment facilities], *the industry is willing to accept this compromise in the interest of providing certain liability levels and to move forward with this restructuring legislation and [decontamination and decommissioning] program.*

Id. at 182. (Emphasis added.) The liability cap proposed by the Science Committee, which Edison viewed as protecting its ratepayers from paying more than "their fair share of

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[7] These interest groups were the American Nuclear Energy Council ("ANEC") and the Edison Electric Institute ("EEI"). ANEC "represents over 100 domestic and international organizations that have an interest in nuclear energy." EEI, in turn, "is the national association of investor-owned electric companies" and represents "approximately three-quarters of all American electricity customers." Committee Hearings I at 178.

[remediation] costs," essentially became the cap in the legislation that Edison now challenges, though the ultimate liability of the utilities under the enacted legislation was more certain than under the Science Committee proposal. *See* 42 U.S.C. § 2297g-1.

Following the enactment of EPACT in 1992, as well as corresponding DOE regulations implementing EPACT, the government assessed Edison and similarly situated domestic utilities on an annual basis for each utility's share of the special assessment. Edison alleges that as of the date of the complaint, it had paid the government approximately $95.5 million in seven special assessments for the decontamination and decommissioning of the enrichment facilities. These special assessments covered the period from 1969, when Edison first began to purchase uranium processing services from the government, until 1992, the year of EPACT's enactment.

PROCEEDINGS BELOW

On April 9, 1997, Edison commenced an action in the Court of Federal Claims challenging the legality of the special assessments authorized by the Act. Edison's original complaint alleged that the special assessment breached its contracts with the government by retroactively increasing the cost of the uranium enrichment services and constituted an impermissible taking of those contracts in violation of the Fifth Amendment. *See, e.g.*, Original Complaint of Plaintiff Appellant Commonwealth Edison Company at §§ 53, 68-69. On May 6, 1997, during the pendency of Edison's action, this court issued its decision in *Yankee Atomic* rejecting identical claims made by another utility.

Following our decision in *Yankee Atomic*, Edison filed a new and separate action for declaratory and injunctive relief in the United States District Court for the Southern District of New York seeking to invalidate EPACT and to bar the government from attempting to compel future payments

under the Act (the "New York action"). The district court subsequently denied a motion by the United States to transfer the case to the Court of Federal Claims. *Consol. Edison Co. v. United States,* 45 F. Supp.2d 331 (S.D.N.Y.1999). In *Consol. Edison Co. v. United States, Dept. of Energy,* 247 F.3d 1378 (Fed.Cir.2001), we reversed that decision and instructed the district court to transfer the New York action to the Court of Federal Claims for adjudication.

On November 6, 1998, Edison also filed a motion in the Court of Federal Claims to stay proceedings in that court pending resolution of the New York action. On February 2, 1999, Edison amended its original complaint in the Court of Federal Claims to state new and additional theories for recovery. The amended complaint stated essentially three theories for recovery. Edison alleged that the special assessments imposed by EPACT: (1) constituted an unlawful taking of money under the Takings Clause of the Fifth Amendment; (2) constituted a breach of contract, inasmuch as "[t]he fixed price nature of [Edison's] enrichment contracts, coupled with the additional release granted by the Government pursuant to the termination of certain of those contracts, provided [Edison] with an unmistakable promise that it would not be subject to future liability to the Government based upon its contractual purchases of enrichment services"; and (3) constituted an illegal exaction in violation of the Due Process Clause of that amendment. The government moved to dismiss the amended complaint for failure to state a claim.

On February 3, 2000, the Court of Federal Claims denied Edison's motion for a stay, noting, in part, that the original action in the Court of Federal Claims was the first filed action and that it "has the jurisdiction to rule on each of the counts in the amended complaint and thus need not defer to the district court's broader jurisdiction." *Commonwealth Edison,* 46 Fed. Cl. at 34. In a well-reasoned opinion, the Court of Federal Claims also granted the government's motion to

dismiss, concluding that neither the old nor new theories of recovery stated a claim. That court rejected Edison's first claim--that EPACT constituted an impermissible taking of Edison's property without just compensation—on the ground that "a government-imposed payment of money cannot result in a compensable taking." *Id.* at 41.

The court dismissed the utility's claim that the imposition of the special assessments constituted a taking of its contract rights with the government, finding that "this issue was squarely addressed" in this court's decision in *Yankee Atomic*. *Id.* at 46. In reaching this conclusion, the court rejected Edison's arguments that its contracts with the government were significantly different from those contracts at issue in *Yankee Atomic*. *Id.*

Finally, the court rejected Edison's claim that the special assessment constituted an illegal exaction barred under the Due Process Clause. Recognizing the well-established principle that "an economic statute, such as the Energy Policy Act, comes to the court with a presumption of validity," *id.* at 43, the Court of Federal Claims determined that although the Act is indeed retroactive, "it cannot be said that the retroactivity of the Act is irrational or that that retroactivity unfairly impacted on the plaintiff." *Id.* at 44 (citing *Usery v. Turner Elkhorn Mining Co.*, 428 U.S. 1, 18, 96 S. Ct. 2882, 49 L.Ed.2d 752 (1976)). The court further held that "the liability imposed by the special assessment is neither disproportional nor excessive," as EPACT imposed "liability only on those utilities that benefited from the government's uranium enrichment services." *Id.* at 45.

This timely appeal followed. We have jurisdiction over this appeal pursuant to 28 U.S.C. § 1295(a)(3).[8]

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[8] *Amicus Curiae* briefs in support of Edison were filed in this case by Sacramento Municipal Utility District and Maine Yankee Atomic Power Co.

DISCUSSION

I

As an initial matter, we note that the decision of the Court of Federal Claims to deny Edison's request for a stay of those proceedings pending resolution of the New York action is now moot, in light of our decision in *Consolidated Edison*, 247 F.3d 1378, in which we instructed the United States District Court for the Southern District of New York to transfer that action to the Court of Federal Claims.

Accordingly, the only question before us is whether the Court of Federal Claims erred in dismissing this action for failure to state a claim upon which relief may be granted. We review that decision without deference. *First Hartford Corp. Pension Plan & Trust v. United States*, 194 F.3d 1279, 1286-87 (Fed.Cir.1999). In so doing, we also "assume that all well-pled factual assertions are true and make all reasonable inferences in favor of" Commonwealth Edison, *New Valley Corp. v. United States*, 119 F.3d 1576, 1580 (Fed.Cir.1997), to the extent that such allegations are relevant to the constitutional issues.

II

Ever since the New Deal Supreme Court's discarding of the *Lochner* [9] line of substantive due process cases, the Court has repeatedly held that economic legislation "adjusting the burdens and benefits of economic life" is to be judged under a deferential standard. *Usery v. Turner Elkhorn Mining Co.*, 428 U.S. 1, 15, 96 S. Ct. 2882, 49 L.Ed.2d 752 (1976). There remain, however, at least three areas in which judicial review of federal legislation imposing regulatory burdens still bites. Not surprisingly, Edison relies on each of these three theories.

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[9] *Lochner v. New York*, 198 U.S. 45, 25 S. Ct. 539, 49 L.Ed. 937 (1905).

First, there are the takings cases, in which the government is alleged to have taken property without just compensation under the Fifth Amendment. The Supreme Court has made clear that government regulation can constitute a taking of property requiring compensation. *See, e.g., Lucas v. So. Carolina Coastal Council,* 505 U.S. 1003, 1027-28, 112 S. Ct. 2886, 120 L.Ed.2d 798 (1992). It is also clear that a fund of money can be property protected under the Takings Clause. *See Phillips v. Washington Legal Found.,* 524 U.S. 156, 160, 118 S. Ct. 1925, 141 L.Ed.2d 174 (1998) (holding that interest income generated by funds held in IOLTA accounts is private property of the owner of the principal for purposes of the Takings Clause); *see also Webb's Fabulous Pharmacies, Inc. v. Beckwith,* 449 U.S. 155, 164-65, 101 S. Ct. 446, 66 L.Ed.2d 358 (1980) (holding that the Takings Clause can apply to monetary interest generated from the operation of a specific, separately identifiable fund of money). However, although a minority of the Supreme Court has urged that a taking can occur when Congress has imposed an obligation to pay money, *see Eastern Enterprises v. Apfel,* 524 U.S. 498, 537, 118 S. Ct. 2131, 141 L.Ed.2d 451 (1998), we are bound to follow the views of a majority of the Supreme Court.

In *United States v. Sperry Corp.,* 493 U.S. 52, 110 S. Ct. 387, 107 L.Ed.2d 290 (1989), the Supreme Court held that a federal statute that required the payment of a portion of an arbitral award from the Iran-United States Claim Tribunal to the United States government did not violate the Takings Clause because, in part, "[i]t is artificial to view deductions of a percentage of a monetary award as physical appropriations of property. Unlike real or personal property, money is fungible." *Id.* at 62 n. 9, 110 S. Ct. 387.

In *Eastern Enterprises,* five justices of the Court rejected the theory that an obligation to pay money constitutes a taking. There, the Supreme Court confronted a constitutional

challenge to the retroactive liability provisions of the Coal Industry Retiree Health Benefit Act of 1992, codified at 26 U.S.C. §§ 9701-9722 (the "Coal Act"). The Coal Act required coal operators such as petitioner Eastern Enterprises ("Eastern") to fund future health benefits of current and former coal mine employees. There was no majority opinion of the Supreme Court. Writing for the plurality, Justice O'Connor, joined by three other justices, concluded that the retroactive impact of the Coal Act as applied to Eastern Enterprises resulted in an unconstitutional taking of property because it placed a "severe, disproportionate and extremely retroactive burden on Eastern." *Eastern Enters.*, 524 U.S. at 538, 118 S. Ct. 2131.

Justice Kennedy in his concurrence, however, disagreed with the plurality's conclusion that the Coal Act resulted in an unconstitutional taking of property:

> Our cases do not support the plurality's conclusion that the Coal Act takes property. The Coal Act imposes a staggering financial burden on the petitioner, Eastern Enterprises, but it regulates the former mine owner without regard to property. It does not operate upon or alter an identified property interest, and it is not applicable to or measured by a property interest. The Coal Act does not appropriate, transfer, or encumber an estate in land (*e.g.*, a lien on a particular piece of property), a valuable interest in an intangible (*e.g.*, intellectual property), or even a bank account or accrued interest. The law simply imposes an obligation to perform an act, the payment of benefits.

Id. at 540, 118 S. Ct. 2131. The four dissenters in *Eastern Enterprises* (Justices Stevens, Souter, Ginbsurg, and Breyer) agreed that the Takings Clause was not implicated because "[t]he 'private property' upon which the [Takings] Clause traditionally has focused is a specific interest in physical or intellectual property. . . . This case involves not an interest

in physical or intellectual property, but an ordinary liability to pay money . . . ." *Id.* at 554, 118 S. Ct. 2131 (Citations omitted.).

Thus five justices of the Supreme Court in *Eastern Enterprises* agreed that regulatory actions requiring the payment of money are not takings. We agree with the prevailing view that we are obligated to follow the views of that majority.[10]

This court has similarly concluded that the imposition of an obligation to pay money does not constitute an unconstitutional taking of property. In *Atlas Corp. v. United States*, 895 F.2d 745 (Fed. Cir.), *cert. denied*, 498 U.S. 811, 111 S. Ct. 46, 112 L.Ed.2d 22 (1990), for example, we considered the constitutionality of the Uranium Mill Tailings

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[10] *See Parella v. Ret. Bd. of the R.I. Employees' Retirement Sys.*, 173 F.3d 46, 58 (1st Cir.1999) (upholding state statute temporarily withholding excess retirement benefits against a Takings Clause challenge because "a majority of justices found that the Takings Clause did not apply under the facts of *Eastern Enterprises*, because they concluded that a Takings Clause issue can arise only after a plaintiff's property right has been independently established"); *Unity Real Estate Co. v. Hudson*, 178 F.3d 649, 659 (3d Cir.) ("[W]e are bound to follow the five-four vote against the takings claim in Eastern."), *cert. denied*, 528 U.S. 963, 120 S. Ct. 396, 145 L.Ed.2d 309 (1999); *Holland v. Big River Minerals Corp.*, 181 F.3d 597, 606 (4th Cir.1999) (following Supreme Court in holding Takings Clause inapplicable to the Coal Act because five Justices in *Eastern Enterprises* reasoned that "no identifiable property interest was infringed by the legislation"), *cert. denied*, 528 U.S. 1117, 120 S. Ct. 936, 145 L.Ed.2d 814 (2000); *but see U.S. Fidelity & Guar. Co. v. McKeithen*, 226 F.3d 412, 416 (5th Cir.2000) (citing *Eastern Enterprises* but analyzing a Takings Clause challenge to retroactive assessments under the Louisiana Workers' Compensation Fund under *ad hoc*, fact-specific factors), *cert. denied*, __U.S.__, 121 S. Ct. 1360, 149 L.Ed.2d 289 (2001); *United States v. Hercules, Inc.*, 247 F.3d 706, 722 (8th Cir.2001) (stating that "inquiry into the constitutionality of CERCLA . . . would be 'essentially ad hoc and fact intensive'" (quoting *Eastern Enterprises*, 524 U.S. at 523, 118 S. Ct. 2131)).

Radiation Control Act ("UMTRCA"), Pub.L. No. 95-604, 92 Stat. 3021 (1978), which required that uranium producers spend large sums of money to clean up uranium tailings piles, a by-product of uranium manufacture. We held that the UMTRCA's imposition of the obligation to pay money to clean up the tailings piles did not constitute an unconstitutional taking of property under the Takings Clause:

> In this case, [the uranium producer] has not alleged a physical taking of any of its property. Its complaint alleges only that it will be required to spend sums of money for reclamation of tailings and mill decommissioning. Requiring money to be spent is not a taking of property.

Id. at 756 (citing *United States v. Sperry Corp.*, 493 U.S. 52, 62 n. 9, 110 S. Ct. 387, 107 L.Ed.2d 290 (1989)).

In short, while a taking may occur when a specific fund of money is involved, the mere imposition of an obligation to pay money, as here, does not give rise to a claim under the Takings Clause of the Fifth Amendment.

III

The second area, represented by the Supreme Court's decision in *United States v. Winstar Corp.*, 518 U.S. 839, 116 S. Ct. 2432, 135 L.Ed.2d 964 (1996), involves contracts in which the government has agreed to pay damages if it engages in certain types of regulation.

A similar contract claim was made with respect to the present contracts and rejected by this court in *Yankee Atomic*. In that case, this court was confronted with a claim that the special assessments imposed under EPACT breached the utility's fixed-price contracts with the government by, "in effect, retroactively increasing the price that it must pay for the previously supplied uranium enrichment services." 112 F.3d at 1573. Relying on the analysis prescribed by the

Supreme Court's decision in *Winstar*, we held that the imposition of the special assessments was a lawful exercise of Congress's taxing power under the sovereign acts doctrine, and was not designed to retroactively increase the price of the government's earlier contracts with Yankee Atomic. *Id.* at 1575. In other words, this court concluded that the special assessments constituted "a general exercise of Congress's taxing power for the purpose of addressing a societal problem rather than an act that retroactively increases the price charged to contracting parties for uranium enrichment services." *Id.* at 1577.

We further held that because the contracts between the plaintiff in that case and the government "did not include an unmistakable promise that precluded the Government from later imposing an assessment upon all domestic utilities that employed the DOE's uranium enrichment services," *id.* at 1580, the special assessments imposed by the Act did not constitute a breach of contract. We similarly disposed of the plaintiff's takings claim by concluding that "[b]ecause the contracts did not contain an unmistakable promise against a future assessment, [the utility] had no property right (via a vested contract right) which was subsequently taken by the assessment." *Id.* at 1580 n. 8. This court denied Yankee Atomic's motion to rehear the case in banc, 112 F.3d 1569 (Fed.Cir.1997), and the Supreme Court denied certiorari, 524 U.S. 951, 118 S. Ct. 2365, 141 L.Ed.2d 735 (1998).

We reject Edison's request that we distinguish our decision in *Yankee Atomic*. There is no meaningful difference between the contract theories asserted here and in *Yankee Atomic*, and we therefore agree with the Court of Federal Claims' conclusion that Edison's claims based on its contracts with the government are barred by that decision. This also disposes of Edison's argument that the Act constitutes a taking of Edison's supposed contract rights to be free of future government assessments.

IV

The third area of judicial review occurs where a regulation is retroactive and accordingly implicates the Due Process Clause. The Supreme Court has made clear that federal legislation is to be construed to avoid retroactivity.[11] No such issue is presented here since the statute is clear on its face, and no party urges that a narrowing construction is either possible or appropriate. Accordingly, we must address the Due Process issue.

The standard of review in this area is well-settled. As the Supreme Court stated in *Turner Elkhorn*, 428 U.S. at 15, 96 S. Ct. 2882, "[i]t is by now well established that legislative Acts adjusting the burdens and benefits of economic life come to the Court with a presumption of constitutionality, and that the burden is on one complaining of a due process violation to establish that the legislature has acted in an arbitrary and irrational way." So too the Supreme Court observed in *Pension Benefit Guaranty Corp. v. R.A. Gray & Co.*, 467 U.S. 717, 104 S. Ct. 2709, 81 L.Ed.2d 601 (1984):

> Provided that the retroactive application of a statute is supported by a legitimate legislative purpose furthered by rational means, judgments about the wisdom of such legislation remain within the exclusive province of the legislative and executive branches.

Id. at 729, 104 S. Ct. 2709 (citing *Turner Elkhorn*, 428 U.S. at 15-16, 96 S. Ct. 2882). Where the basis for the challenge

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[11] *See Landgraf v. USI Film Prods.*, 511 U.S. 244, 270, 114 S. Ct. 1483, 128 L.Ed.2d 229 (1994) ("Since the early days of this Court, we have declined to give retroactive effect to statutes burdening private rights unless Congress had made clear its intent."); *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 208, 109 S. Ct. 468, 102 L.Ed.2d 493 (1988) ("[C]ongressional enactments and administrative rules will not be construed to have retroactive effect unless their language requires this result.").

is retroactivity, the Supreme Court has held that Due Process is satisfied "simply by showing that the retroactive application of the legislation is itself justified by a rational legislative purpose." *Id.* at 730, 96 S. Ct. 2882.

In judging the rationality of legislation under the Due Process Clause, an evidentiary trial of facts, such as the relative contributions of weapons processing and utility fuel processing to the total contamination at the government plants, is not required. Rather, as the Supreme Court has noted in another context:

> the question is whether the legislative conclusion [to enact the statute] was reasonable and supported by substantial evidence in the record before Congress. In making that determination, we are not to re-weigh the evidence *de novo,* or to replace Congress' factual predictions with our own. Rather, we are simply to determine if the standard [of review] is satisfied. If it is, summary judgment . . . is appropriate regardless of whether the evidence is in conflict.

Turner Broad. Sys., Inc. v. FCC, 520 U.S. 180, 211, 117 S. Ct. 1174, 137 L.Ed.2d 369 (1997) (Citations omitted.). In short, legislative facts control the analysis. In these Due Process cases the federal courts are not assigned the task of making policy, determining a fair outcome, or determining the actual state of facts. We are charged simply with determining whether the congressional action was rational.

Under that rational purpose standard it will be a rare circumstance where federal legislation that is retroactive will be held unconstitutional under the Due Process Clause. In the modern era this has occurred on only a very few occasions, even if we count *Eastern Enterprises* as being such a case. *See Nichols v. Coolidge,* 274 U.S. 531, 47 S. Ct. 710, 71 L.Ed. 1184 (1927); *Blodgett v. Holden,* 275 U.S. 142, 48 S. Ct. 105, 72 L.Ed. 206 (1927) (per curiam); *R.R. Ret. Bd. v.*

Alton R.R. Co., 295 U.S. 330, 55 S. Ct. 758, 79 L.Ed. 1468 (1935); *Eastern Enters.*, 524 U.S. 498, 118 S. Ct. 2131, 141 L.Ed.2d 451.[12]

The cases that invalidated these statutes were most unusual.

Both *Blodgett v. Holden* and *Nichols v. Coolidge* involved the government's retroactive application of revenue statutes to transactions made well before the enactment of the respective statutes. The Supreme Court held in both cases that such retroactive application violated due process. *Blodgett*, 275 U.S. at 147, 48 S. Ct. 105; *Nichols*, 274 U.S. at 542-43, 47 S. Ct. 710.[13]

In *United States v. Carlton*, 512 U.S. 26, 114 S. Ct. 2018, 129 L.Ed.2d 22 (1994), the Court questioned the continuing relevance of those decisions to present day challenges to retroactive statutes, concluding that "[t]hose cases were decided during an era characterized by exacting review of economic legislation under an approach that has long since been discarded." *Id.* at 34, 114 S. Ct. 2018. In any event those decisions were limited to situations involving a "wholly new tax." *Id.* EPACT, unlike the statutes at issue in those two cases, is not a mere revenue-raising measure. Rather, it represents an assessment on particular existing domestic utilities, which Congress concluded benefited from the government's operation of the uranium enrichment facilities,

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[12] *Cf. United States v. Sec. Indus. Bank*, 459 U.S. 70, 78-82, 103 S. Ct. 407, 74 L.Ed.2d 235 (1982) (declining to retroactively construe a provision of the Bankruptcy Reform Act, Pub.L. No. 95-592, 92 Stat. 2549 (1978), without clear evidence of Congressional intent to apply that statute retroactively, and expressing "substantial doubt whether the retroactive" application would "comport with the Fifth Amendment").

[13] *Untermyer v. Anderson*, 276 U.S. 440, 48 S. Ct. 353, 72 L.Ed. 645 (1928), involved a challenge to the same statute at issue in *Blodgett*, and reached the same result.

and which Congress also concluded were themselves partially responsible for the problem the statute seeks to remedy.

In *Alton*, the Court invalidated a statute that required railroads to establish a pension fund covering both current employees and former employees who had worked for the railroad within the year before passage of the statute because of the retroactive effect of the statute. *Alton* bears little resemblance to this case, and it appears that *Alton*, in any event, has effectively been overruled. *See Pension Benefit*, 467 U.S. at 733, 104 S. Ct. 2709 (questioning whether *Alton* "'retains vitality' despite the changes in judicial review of economic legislation that have occurred in the ensuing years"); *see also Turner Elkhorn*, 428 U.S. at 19, 96 S. Ct. 2882. We note that neither Edison nor any of its amici relies on *Alton*.

Eastern Enterprises, which is the focus of the parties' attention, is also starkly different from this case. There, the employees' claims of entitlement to the payment of future health benefits arose from a number of National Bituminous Coal Wage Agreements ("NBCWAs" or "Agreements") between the employees' union and various coal mine operators. The statute in *Eastern Enterprises* was justified on the ground that expectations of future benefits had been created by these agreements. A majority of the Court concluded that the obligation to pay benefits could not be imposed on companies that had no role in creating those expectations.

The plurality noted that Agreements negotiated in 1974, 1978, and subsequently first suggested an industry commitment to the funding of health benefits for former employees and their dependents. *Eastern Enters.*, 524 U.S. at 530, 118 S. Ct. 2131. The plurality emphasized, however, that Eastern "ceased its coal mining operations in 1965 and neither participated in negotiations nor agreed to make contributions in connection with the [employees'] Benefit Plans under the

1974, 1978 or subsequent NBCWA's." *Id.* Under the particular facts of that case, the plurality accordingly reasoned that the Coal Act's retroactive provisions violated the Takings Clause of the Fifth Amendment. In his concurrence, Justice Kennedy agreed with the plurality that the particular facts of the case warranted the invalidation of the statute, but based his reasoning on Due Process grounds. He wrote:

> Eastern was once in the coal business and employed many of the beneficiaries, but it was not responsible for their expectation of lifetime health benefits . . . . As the plurality opinion discusses in detail, the expectation was created by promises and agreements made long after Eastern left the coal business. Eastern was not responsible for the resulting chaos in the funding mechanism caused by other coal companies leaving the framework of the [NBCWA]. This case is far outside the bounds of retroactivity permissible under our law.

524 U.S. at 550, 118 S. Ct. 2131 (Kennedy, J., concurring).

Even if the *Eastern Enterprises* plurality and concurrence could be read together to announce a binding holding on the Due Process issue,[14] this case does not involve the imposition of liability on companies having no responsibility for creating the expectation of a future benefit. Rather, it involves a congressional determination to impose liability on companies that received a benefit, the production of which benefit contributed to a societal problem.

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[14] The District of Columbia Circuit has concluded that the plurality and concurrence in *Eastern Enterprises* cannot be combined into a single holding on the Due Process issue. *Ass'n of Bituminous Contractors v. Apfel*, 156 F.3d 1246, 1254-55 (D.C.Cir.1998) ("Justice Kennedy's concurrence in the judgment is of no help in appellant's efforts to cobble together a due process holding from *Eastern Enterprises*' fragmented parts . . . . Justice Kennedy's due process reasoning can in no sense be thought a logical subset of the plurality's takings analysis.").

On the other side of the balance, on more than ten occasions, the Supreme Court has rejected challenges to economic legislation based on the Due Process Clause of the Fifth Amendment. *See United States v. Carlton,* 512 U.S. 26, 35, 114 S. Ct. 2018, 129 L.Ed.2d 22 (1994) (upholding a retroactive amendment to the federal estate tax, even though the taxpayer received no advance notice of the amendment and relied to his detriment on pre-amendment law); *Concrete Pipe & Prods. of Cal., Inc. v. Constr. Laborers Pension Trust for S. Cal.,* 508 U.S. 602, 636-41, 113 S. Ct. 2264, 124 L.Ed.2d 539 (1993) (upholding retroactive withdrawal liability provisions of the Multiemployer Pension Plan Amendments Act ("MPPAA") which assessed employer nearly $300,000 for its withdrawal from a pension plan prior to the effective date of the MPPAA); *Gen. Motors Corp. v. Romein,* 503 U.S. 181, 191-92, 112 S. Ct. 1105, 117 L.Ed.2d 328 (1992) (finding that Michigan workers' compensation statute did not violate the Due Process Clause, even though it required the petitioners to pay nearly $25 million for retroactive benefits to disabled employees); *United States v. Sperry Corp.,* 493 U.S. 52, 64-65, 110 S. Ct. 387, 107 L.Ed.2d 290 (1989) (upholding retroactive imposition of an arbitration fee on prevailing parties before the Iran United States Claim Tribunal); *United States v. Hemme,* 476 U.S. 558, 571, 106 S. Ct. 2071, 90 L.Ed.2d 538 (1986) (rejecting Due Process challenge to statutorily-prescribed transitional rule that retroactively applied to gifts made before enactment of rule); *United States v. Locke,* 471 U.S. 84, 105-06, 105 S. Ct. 1785, 85 L.Ed.2d 64 (1985) (upholding the retroactive application of the filing requirements of the Federal Land Policy and Management Act of 1976 ("FLPMA"), codified at 43 U.S.C. § 1744, that resulted in the forfeiture of mining claims made before the enactment of the FLPMA); *Nat'l R.R. Passenger Corp. v. Atchison, Topeka & Santa Fe Ry. Co.,* 470 U.S. 451, 475-79, 105 S. Ct. 1441, 84 L.Ed.2d 432 (1985) (upholding legislation requiring private railroads to

reimburse Amtrak for rail travel privileges provided by Amtrak to the private railroads' employees and former employees even though Amtrak for some years had not imposed such costs on the private railroads); *Pension Benefit*, 467 U.S. at 731-32, 104 S. Ct. 2709 (upholding the retroactive application of the withdrawal liability provisions of the MPPAA during period before the MPPAA's enactment); *United States v. Darusmont*, 449 U.S. 292, 296-302, 101 S. Ct. 549, 66 L.Ed.2d 513 (1981) (upholding the retroactive application of an amendment to the federal tax statute to transactions made before enactment of amendment); *Turner Elkhorn*, 428 U.S. at 18, 96 S. Ct. 2882 (upholding requirement that coal mine operators compensate former employees disabled by work-related illnesses, even though those operators had never contracted for such liability, and the employees involved were no longer employed by the operators); *FHA v. The Darlington, Inc.*, 358 U.S. 84, 91, 79 S. Ct. 141, 3 L.Ed.2d 132 (1958) (upholding application of statutory requirement that occupants of mortgaged housing must be residents as opposed to transients to apartment buildings mortgaged prior to enactment of the statute); *Lichter v. United States*, 334 U.S. 742, 788, 68 S. Ct. 1294, 92 L.Ed. 1694 (1948) (upholding statute permitting government to require private parties to pay excessive profits realized during wartime to the government); *Welch v. Henry*, 305 U.S. 134, 146-51, 59 S. Ct. 121, 83 L.Ed. 87 (1938) (sustaining retroactive Wisconsin statute that taxed shareholder dividends paid two years before statute's enactment); *Funkhouser v. J.B. Preston Co.*, 290 U.S. 163, 167-68, 54 S. Ct. 134, 78 L.Ed. 243 (1933) (upholding retroactive application of statute providing that interest be added to damages awards for breach of contract claims); *Milliken v. United States*, 283 U.S. 15, 21-24, 51 S. Ct. 324, 75 L.Ed. 809 (1931) (upholding retroactive application of federal estate tax statute to tax gifts made prior to enactment of the statute). In *Eastern Enterprises*, both the plurality and

Justice Kennedy suggested that liability for health care costs limited to miners formerly employed by the companies could be retroactively imposed, presumably because the companies benefited from their services, and the performance of those services contributed to the health problems.[15] Significantly, other courts of appeals have rejected claims that similar retroactive effects of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601, *et seq.*, ("CERCLA") violate Due Process. *See United States v. Northeastern Pharm. & Chem. Co.*, 810 F.2d 726, 734 (8th Cir.1986), *cert. denied*, 484 U.S. 848, 108 S. Ct. 146, 98 L.Ed.2d 102 (1987); *United States v. Monsanto Co.*, 858 F.2d 160, 174 (4th Cir.1988), *cert. denied*, 490 U.S. 1106, 109 S. Ct. 3156, 104 L.Ed.2d 1019 (1989); *Franklin County Convention Facilities Auth. v. Am. Premier Underwriters, Inc.*, 240 F.3d 534, 551-52 (6th Cir.2001).[16] And we also

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[15] *See Eastern Enters.*, 524 U.S. at 536, 118 S. Ct. 2131 ("Eastern might be responsible for employment-related health problems of all former employees whether or not the cost was foreseen at the time of employment . . . .") (plurality opinion); *id.* at 549, 118 S. Ct. 2131 (noting that the Supreme Court has "upheld the imposition of liability on former employers based on past employment relationships") (Kennedy, J., concurring); *see also Turner Elkhorn*, 428 U.S. at 18, 96 S. Ct. 2882 ("[T]he imposition of liability for the effects of disabilities bred in the past is justified as a rational measure to spread the costs of the employees' disabilities to those who have profited from the fruits of their labor . . . .").

[16] These courts have reasoned that "[c]leaning up inactive and hazardous waste disposal sites is a legitimate legislative purpose, and Congress acted in a rational manner in imposing liability for the cost of cleaning up such sites upon those parties who created and profited from the sites and upon the chemical industry as a whole." *Northeastern Pharm.*, 810 F.2d at 734. *See also, e.g., O'Neil v. Picillo*, 883 F.2d 176, 183 n. 12 (1st Cir.1989), *cert. denied sub nom. American Cyanamid Co. v. O'Neil*, 493 U.S. 1071, 110 S. Ct. 1115, 107 L.Ed.2d 1022 (1990); *United States v. R.W. Meyer, Inc.*, 889 F.2d 1497, 1506 (6th Cir.1989), *cert. denied*, 494 U.S. 1057, 110 S. Ct. 1527, 108 L.Ed.2d 767 (1990); *Long Beach Unified Sch. Dist. v. Godwin Cal. Living Trust*, 32 F.3d 1364, 1366 (9th Cir.1994).

have repeatedly rejected Due Process challenges to retroactive federal statutes. *See, e.g., Atlas,* 895 F.2d at 756 (upholding retroactive legislation requiring uranium producers to spend large sums of money to clean up uranium tailings piles).

Not surprisingly, in light of this history, the Supreme Court has repeatedly advised us that such Due Process challenges will only succeed in the rarest of cases. As Justice Kennedy noted in *Eastern Enterprises,* "[s]tatutes may be invalidated on due process grounds only under the most egregious of circumstances." 524 U.S. at 550, 118 S. Ct. 2131.

Although such "most egregious circumstances" do not exist *unless* the legislation is severely retroactive, they do not exist *merely because* the legislation is severely retroactive and costly, as is the case here. Without attempting to define exactly when retroactive legislation will be held unconstitutional, we perceive that the imposition of even severe retroactive obligations for past acts will be found rational and will be held constitutional under the Due Process Clause if two conditions are satisfied: (1) Congress reasonably concluded that the party subjected to retroactive obligations benefited from activity that contributed to a societal problem, and liability is not disproportionately imposed on that party; and (2) the imposition of retroactive liability would not be contrary to that party's reasonable expectations. It may well be that legislation is constitutional if either of the two conditions is satisfied, but we need not decide that question in this case. Both of those conditions are present.

The first is easily disposed of. Whether or not Edison received the enrichment services below cost from the government, as the government asserts, it certainly benefited from the government's provision of enrichment services. Edison admits that it received a benefit from the government's enrichment services (though it claims to have fully

compensated the government for the benefit).[17] Indeed, Edison could hardly have operated nuclear reactors without the benefit of uranium enrichment services from the United States government or some other approved source.

Congress could reasonably conclude that the processing of the utilities' uranium contributed to a societal problem (processing plant pollution) on two separate theories. First, while the weapons processing may have fully contaminated the buildings at the plants, the utility processing contributed to increased costs associated with decontaminating the grounds around the facilities and disposing of the tails. Second, whether or not the utility processing marginally increased the remediation costs, Congress could reasonably conclude that the later pollution should bear a share of the costs. Edison and utility industry groups themselves contributed to Congress' conclusion that the utilities were responsible by explicitly recognizing in the course of the legislative consideration that it would be fair to impose a share of the remediation costs on the utilities. *See ante* at 1334-36. The Court of Federal Claims does not sit to retry as a factual matter the reasonableness of such congressional judgments.[18]

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[17] *See* Brief for Plaintiff Appellant Commonwealth Edison Co. at 62 ("Although Commonwealth Edison obviously received a 'benefit' when it obtained enrichment services from the government, it paid a price agreed between the parties to represent the fair value of that benefit.").

[18] Even if the legislative history here were devoid of support for Congress' conclusions, it would not, of course, be "significant for due process purposes that the legislative history" did not address the issue of causation. *Ass'n of Bituminous Contractors, Inc. v. Apfel*, 156 F.3d 1246, 1256 n. 7 (D.C.Cir.1998). "[T]he government can create a rational explanation *ex post* to support a statute attacked on due process grounds. That being so, we can hardly require a showing that Congress specifically identified [the] cause of the problem before it passed the [Act] in order to sustain the Act under rational basis review." *Id. See also FCC v. Beach Communications, Inc.*, 508 U.S. 307, 315, 113 S. Ct. 2096, 124 L.Ed.2d

The remediation costs imposed on Edison and the other domestic utilities also are not severely disproportionate; these utilities are obligated to pay only about a third of the remediation costs, even though evidence was presented that the "production from these plants ha[d] been divided almost evenly between the government and commercial sectors." H.R. Rep. No. 102- 474(I), at 144 (1992), *reprinted in* 1992 U.S.C.C.A.N. 1953, 1967.[19] In *Pension Benefit,* 475 U.S. at 225-26, 106 S. Ct. 1018, for example, the Supreme Court held that the Multiemployer Pension Plan Amendments Act of 1980, 94 Stat. 1208 ("MPPAA") did not constitute an unconstitutional taking of property under the Takings Clause of the Fifth Amendment because "[t]here is nothing to show that the [retroactive] withdrawal liability actually imposed on an employer will always be out of proportion to its experience with the plan, and the mere fact that the employer must pay money to comply with the [MPPAA] is but a necessary consequence of the MPPAA's regulatory scheme." *Id.* The mere fact that foreign utilities are exempted from the assessment also does not mean that the liability imposed on the domestic utilities is severely disproportionate. *See Ass'n of Bituminous Contractors, Inc. v. Apfel,* 156 F.3d 1246, 1255-56 (D.C.Cir.1998); *Holland v. Keenan Trucking Co.,* 102 F.3d 736, 741-42 (4th Cir.1996).

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211 (1993) ("[B]ecause we never require a legislature to articulate its reasons for enacting a statute, it is entirely irrelevant for constitutional purposes whether the conceived reason . . . actually motivated the legislature. Thus, the absence of 'legislative facts' . . . has no significance in rational-basis analysis. In other words, a legislative choice is not subject to courtroom factfinding . . . ."). (Citations omitted.)

[19] Amici Sacramento Municipal Utility District and Maine Yankee Atomic Power Company urge that a small portion of the Fund (approximately $75 million) has been used for thorium cleanup for which the utilities were not responsible. Considering that $7.2 billion was authorized for the Fund, *see* 42 U.S.C. § 2297g-1(a), (d), this *de minimus* diversion of funds does not affect our analysis.

This conclusion standing alone may be sufficient to warrant rejection of Edison's Due Process argument. The Supreme Court has held that it is rational for Congress to impose costs for certain activities on "those who have profited from the fruits of" activities that contributed to a societal problem, *Turner Elkhorn*, 428 U.S. at 18, 96 S. Ct. 2882, and that "our cases are clear that legislation readjusting rights and burdens is not unlawful solely because it upsets otherwise settled expectations," *id.* at 16, 96 S. Ct. 2882. However, Edison also has failed to establish that the retroactivity violated the utilities' reasonable expectations. That issue requires more extensive discussion.

V

One of the key questions in the Supreme Court's retroactivity decisions is whether the regulated party could have reasonably expected that it would be free from the regulatory exaction. Those decisions suggest that if the regulated party could have reasonably expected that it would be subject to regulation, there can be no constitutional Due Process violation. *See, e.g., Concrete Pipe & Prods. of Cal.*, 508 U.S. at 646, 113 S. Ct. 2264.[20] This critical theme was reiterated by each of the separate opinions in *Eastern Enterprises*. There the question was directed to reasonable expectations at the time that Eastern operated coal mines. The plurality concluded that the Coal Act constituted an impermissible taking because, in part, it "substantially interferes with Eastern's reasonable investment-backed expectations." *Eastern Enters.*, 524 U.S. at 532, 118 S. Ct. 2131. In reaching this conclusion, the plurality emphasized,

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[20] *Cf. Rogers v. Tennessee*, 532 U.S. 451, 121 S. Ct. 1693, 1700- 01, 149 L.Ed.2d 697 (2001) (retroactive judicial abolition of archaic common law rule, which precluded murder conviction where victim did not die within year and a day of stabbing, was not unexpected under prior law, and thus did not violate Due Process).

in part, that Eastern had left the coal mining industry and had ceased to employ miners years before "lifetime medical benefits . . . [could] have been viewed as promised" by the industry. *Id.* at 535, 118 S. Ct. 2131.

Justice Kennedy, on Due Process grounds, agreed with the plurality that the three-factor regulatory takings analysis set forth in *Penn Central Transportation Co. v. New York City*, 438 U.S. 104, 124, 98 S. Ct. 2646, 57 L.Ed.2d 631 (1978), including investment-backed expectations, was relevant to the analysis of the Coal Act's retroactivity. *Eastern Enters*, 524 U.S. at 547, 118 S. Ct. 2131 (Kennedy, J., concurring). He sustained Eastern's challenge to the Coal Act, in part, because the miners' expectations of future health benefits were "created by promises and agreements made long after Eastern left the coal business." *Id.* at 550, 118 S. Ct. 2131.

The dissenters likewise focused on Eastern's reasonable expectations to conclude that "the historical circumstances, taken together, prevent Eastern from showing that the Coal Act's 'reachback' liability provision so frustrates Eastern's reasonable settled expectations as to impose an unconstitutional liability." *Id.* at 559, 118 S. Ct. 2131. Thus, in *Eastern Enterprises* there was remarkable agreement on the reasonable expectations standard, if not its application to the particular case.

In addressing the issue of reasonable expectations here, we must separate the government as sovereign from the government as contracting party. The question, in other words, is not what Edison could expect the United States as contracting party to do but what it could reasonably expect the United States as sovereign to do. *See United States v. Winstar Corp.*, 518 U.S. 839, 116 S. Ct. 2432, 135 L.Ed.2d 964 (1996). Nor does the question require an evidentiary trial. Edison's subjective expectations are irrelevant. The question is what a reasonable company in Edison's position should have anticipated.

VI

The cases suggest three factors relevant to a determination of a party's reasonable expectations. First, was the company operating in a highly regulated industry? Second, did the company know of the problem at the time it engaged in the activity? Third, in the light of the regulatory environment at the time of the activities, could the possibility of the assessments have been reasonably anticipated? We conclude that each of these three factors is present here, and therefore we do not need to decide whether the presence of only one of these factors, without more, suffices to establish a lack of reasonable expectations.

Operation in a Highly Regulated Industry

First, it is undisputed that Edison operates in a highly regulated industry. As has been noted, "the production of energy from nuclear sources is one of the most highly regulated human activities." Peter Riley, *Legal Control of Nuclear Energy Between States*, 21 Cal. W. Int'l L.J. 303, 303 (1991).

We have previously held that participants in this highly regulated field can expect liability for remediation costs. Thus, in *Atlas*, 895 F.2d at 745, we considered the constitutionality of the UMTRCA, codified at 42 U.S.C. §§ 2022, 2113, 2114, 7901-7942, which required that uranium producers spend large sums of money to clean up uranium tailings piles. We held that the Court of Federal Claims had properly dismissed the complaint for failure to state a claim:

> From the outset of the uranium procurement program, the nuclear industry has been highly regulated, as the plaintiffs admit. "Those who do business in the regulated field cannot object if the legislative scheme is buttressed by subsequent amendments to achieve the

> legislative end." *Connolly*, 475 U.S. at 227, 106 S. Ct. 1018, quoting *FHA v. The Darlington, Inc.*, 358 U.S. 84, 91, 79 S. Ct. 141, 146, 3 L.Ed.2d 132 (1958). The only "expectation" that [the processors] could have under the circumstances it has alleged is that it expected it would not have to spend its own money to remediate health and environmental hazards created by its production of uranium. Such an expectation cannot be a reasonable commercial expectation.

Id. at 758. This holding was directly supported by the Supreme Court's decision in *Connolly*, in which the Court concluded that the imposition of withdrawal liability from a multiemployer pension plan on certain employers did not interfere with the company's reasonable expectations because, in part, the companies were well aware that "[p]ension plans . . . were the objects of legislative concern," and "it was clear" to those companies operating in that highly regulated industry that withdrawal liability could be retroactively imposed. 475 U.S. at 226-27, 106 S. Ct. 1018. We are aware of no case to the contrary.

Edison's Knowledge of the Hazards of the Uranium Processing

Second, it is undisputed that all parties here were aware of the hazardous nature of the materials. In its amended complaint, Edison admitted that the need to decontaminate and decommission the facilities "was an obligation well understood by operators of nuclear facilities throughout the industry." Complaint at § 31. Likewise, counsel for Edison conceded at oral argument here that "[i]t was recognized from way back in the 1950s that there would be decontamination and decommissioning costs" arising from the operation of the uranium processing facilities.

A number of Supreme Court decisions make clear that company knowledge of the dangers present in their operations

is relevant to a determination of reasonable expectations. In *Turner Elkhorn*, for example, the Supreme Court noted that the coal mine operators had "been aware of the danger of pneumoconiosis for at least 20 years . . . ." 428 U.S. at 17, 96 S. Ct. 2882. So too in *Gen. Motors Corp. v. Romein*, 503 U.S. 181, 112 S. Ct. 1105, 117 L.Ed.2d 328 (1992), the Supreme Court ruled that a retroactive 1987 Michigan workers' compensation statute had not "unreasonably interfered with closed transactions" because the employers "knew they were taking a risk in reducing benefits to their workers, but they took their chances with their interpretation of the 1981 law." *Id.* at 191-92, 112 S. Ct. 1105.[21]

The Regulatory Environment

Finally, the regulatory environment is pertinent. We first consider the regulatory environment at the time when Edison received uranium enrichment services from the government. This focus on the regulatory climate at the time of the processing is supported not only by the Due Process cases discussed above but also by the regulatory takings cases.

The *Eastern Enterprises* plurality judged reasonable expectations for purposes of the takings analysis at the time of the relevant activity. *Eastern Enters.*, 524 U.S. at 532, 118 S. Ct. 2131. So too in *Pension Benefit*, 475 U.S. 211, 106 S. Ct. 1018, 89 L.Ed.2d 166, for example, the Supreme Court rejected the employer's takings claim that money had been taken unconstitutionally because, in part, it found that:

> Pension plans, however, were the objects of legislative concern long before the passage of ERISA in 1974 . . . . Prudent employers then had more than

[21] Other courts of appeals have also rejected challenges to CERCLA's retroactivity because, in part, "it was certainly foreseeable at the time that improper disposal could cause enormous damage to the environment." *Monsanto Co.*, 858 F.2d at 174.

> sufficient notice not only that pension plans were currently regulated, but also that withdrawal itself might trigger additional financial obligations.

Id. at 226-27, 106 S. Ct. 1018.[22]

Where a Due Process violation is alleged because the government has ordered the payment of money, we think that reasonable expectations are to be judged as of the point at which the complaining party entered into the activity that triggered the obligation—here the submission of uranium for processing. We have no doubt that the utilities were on notice of the possible imposition of remediation liability at the times when the material was submitted for processing.

We first address the period following the enactment in 1980 of CERCLA, when the utilities should have been aware that statutory liability might be extended to cover other hazardous substances.[23]

CERCLA is a broad, remedial statute enacted by Congress in order to ensure "that those responsible for any damage, environmental harm, or injury from chemical poisons bear the

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[22] Where a regulatory taking of real property is alleged, the state cannot defeat liability simply by showing that the current owner was aware of the regulatory restrictions at the time that the property was purchased. *See Palazzolo v. Rhode Island*, 533 U.S. 606,___, 121 S. Ct. 2448, 2462, 150 L.Ed.2d 592 (2001). As Justice O'Connor's concurring opinion in *Palazzolo* makes clear, however, even in that context the regulatory environment at the time of the acquisition of the property remains both relevant and important in judging reasonable expectations. *Id.* at 2465-66.

[23] CERCLA liability only attached to cleanup costs arising from the remediation of substances defined to be "hazardous substances" under CERCLA and the Environmental Protection Agency's implementing regulations. 42 U.S.C. § 9601(14); 40 C.F.R. § 302.4 (listing, *inter alia*, arsenic, lead, mercury and methane as hazardous substances). There is no dispute here that the uranium was a "hazardous substance" under CERCLA.

costs of their actions." *Gen. Elec. Co. v. AAMCO Transmissions, Inc.*, 962 F.2d 281, 285 (2d Cir.1992) (quoting S. Rep. No. 96-848, at 13 (1980)). Under CERCLA, the Environmental Protection Agency ("EPA") is authorized to undertake remedial efforts to clean up hazardous waste spills, and, where an "imminent and substantial endangerment to the public health exists," to take legal action in order to compel potentially responsible parties to undertake their own private cleanup efforts. *Gen. Elec. Co.*, 962 F.2d at 285; 42 U.S.C. § 9606(a).

There are several aspects of CERCLA of immediate relevance here:

> "CERCLA is a strict liability statute, one of the purposes of which is to shift the cost of cleaning up environmental harm from the taxpayers to the parties who benefited from the disposal of the wastes that caused the harm." *In re Bell Petroleum Servs.*, 3 F.3d 889, 897 (5th Cir.1993); *see also United States v. Aceto Agric. Chems. Corp.*, 872 F.2d 1373, 1378 (8th Cir.1989).
>
> CERCLA by its terms has unlimited retroactivity. Indeed, every court of appeals to consider the question has concluded that Congress intended CERCLA to apply retroactively. *See, e.g., Northeastern Pharm.*, 810 F.2d at 732; *Monsanto*, 858 F.2d at 174.
>
> While the statute does cap those costs that may be imposed on current and former owners and other potentially responsible parties, those caps are quite high. *See* 42 U.S.C. § 9607(c). For example, the liability for the release of a hazardous substance from a facility is "the total of all costs of response plus $50,000,000 for any damages . . . ." § 9607(c)(1)(D).
>
> Costs may be imposed on any current or former property owner or other potentially responsible party. *See Monsanto*, 858 F.2d at 167. Under CERCLA's liability

> provision, responsible parties include those who arrange for the treatment of hazardous substances. A party may be liable under CERCLA for the arrangement for treatment of any "hazardous substances owned or possessed by [that party] . . . at any facility owned or operated by another party or entity and containing such hazardous substances . . . ." *Id.*[24]

This type of "arranger liability" may be imposed even if the party who arranges for the treatment of the hazardous substance does not actually perform the treatment. In *Aceto*, 872 F.2d 1373, for example, the Eighth Circuit held, *inter alia*, that the defendants which hired another company to formulate their technical grade pesticides into commercial grade pesticides, would be liable as an arranger under CERCLA if it were established that the defendants owned the technical grade pesticides and the final product and, in addition, knew that the generation of hazardous wastes was inherent in the formulation process. *Id.* at 1381-82.[25]

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[24] Section 9607(a)(3) imposes liability for "all costs of removal or remedial action incurred by the United States Government or a State" on:

> [A]ny person who, *by contract*, agreement, or otherwise *arranged* for disposal or *treatment*, or arranged with a transporter for transport for disposal or treatment, of hazardous substances owned or possessed by such person, *by any other party or entity, at any facility or incineration vessel owned or operated by another party or entity and containing such hazardous substances* . . . .

42 U.S.C. § 9607(a)(3) (emphases added).

[25] Numerous other courts of appeals have approved the holding in *Aceto*. *See, e.g., Jones-Hamilton Co. v. Beazer Materials & Servs., Inc.*, 973 F.2d 688, 695 (9th Cir.1992).

Edison and the supporting amici unsuccessfully attempt to limit the reach of *Aceto*, based on decisions from other courts of appeals suggesting that that case would not extend to other situations, for example, situations in which the utilities merely arranged for the transportation of hazardous

In other words, by 1980, Edison could have reasonably expected that the enrichment of its uranium by an independent contractor (the United States) could result in the passage of legislation retroactively imposing liability for a portion of the remediation costs on Edison and the other utilities that benefited from the processing facilities.

Even before the enactment of CERCLA in 1980 liability-imposing regulations were either already in place, or could have been anticipated. CERCLA was not an unheralded statute. Federal statutes enacted in the 1960s and 1970s imposed obligations on the federal government to develop and maintain certain minimum standards for clean air, *see* "Clean Air Act" of 1963, Pub.L. No. 88-206, 77 Stat. 392, codified at 42 U.S.C. § § 7401-7642, and clean water, *see* Federal Water Pollution Control Act Amendments of 1972, Pub.L. No. 92-500, 86 Stat. 816, codified as amended at 33 U.S.C. §§ 1251-1376 (the "Clean Water Act" of 1972). In 1970, Congress enacted the National Environmental Policy Act, Pub.L. No. 91-190, 83 Stat. 852 (1970), codified at 42 U.S.C. §§ 4321-4370a, which required all federal agencies, *inter alia*, to conduct thorough assessments of the environmental impacts of all major programs.

By 1969, a number of federal statutes had been enacted or interpreted to impose liability for environmental damages. Section 13 of the Rivers and Harbors Appropriation Act of 1899, 30 Stat. 1152 (codified as amended at 33 U.S.C. § 407), for example, prohibited the discharge of refuse into navigable waters without a permit. In the 1960s, the Supreme Court interpreted that prohibition broadly to impose strict liability

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substances, *see United States v. Cello-Foil Products, Inc.*, 100 F.3d 1227, 1232 (6th Cir.1996), and *Amcast Industrial Corp. v. Detrex Corp.*, 2 F.3d 746, 751 (7th Cir.1993), *cert. denied*, 510 U.S. 1044, 114 S. Ct. 691, 126 L.Ed.2d 658 (1994), or the material submitted for processing was not itself hazardous, *see Concrete Sales & Services, Inc., v. Blue Bird Body Co.*, 211 F.3d 1333, 1339 (11th Cir.2000).

on companies for obstruction of waterways caused by the discharge of industrial waste. *See, e.g., United States v. Republic Steel Corp.*, 362 U.S. 482, 491, 80 S. Ct. 884, 4 L.Ed.2d 903 (1960); *United States v. Standard Oil Co.*, 384 U.S. 224, 229-30, 86 S. Ct. 1427, 16 L.Ed.2d 492 (1966) (construing the Rivers and Harbors Appropriation Act of 1899 to prohibit discharge of oil). Other statutes enacted in the 1970s imposed liability, *inter alia*, for the improper handling, storage and disposal of hazardous wastes. *See, e.g.*, Resource Conservation and Recovery Act of 1976, Pub.L. No. 94-580, 90 Stat. 2795, codified at 42 U.S.C. §§ 6901- 6987; Toxic Substances Control Act of 1976, Pub.L. No. 94-469, 90 Stat. 2003, codified as amended at 15 U.S.C. §§ 2601-2629. These statutes clearly telegraphed that environmental regulation was an area of intense federal concern, and that liability could be imposed under federal law.

The possibility of common law liability is also relevant, as the Supreme Court recognized in *Turner Elkhorn*. There, the Supreme Court, in addressing the issue of reasonable expectations, specifically referred to pre-existing state "workmen's compensation principles analogous to those enacted here." *Turner Elkhorn*, 428 U.S. at 15, 96 S. Ct. 2882. So too in *Keystone Bituminous Coal Ass'n v. DeBenedictis*, 480 U.S. 470, 491, 107 S. Ct. 1232, 94 L.Ed.2d 472 (1987), the Supreme Court noted the "Court's hesitance to find a taking when the State merely restrains uses of property that are tantamount to public nuisances . . . ." At common law, Edison and other utilities could have potentially been held liable, under the well-established theories of nuisance and strict liability, for environmental damage and other harms resulting from the uranium processing on their behalf. The utilities should have anticipated that such liability could be imposed by the federal government, particularly since the federal government in a number of environmental statutes had taken pains to approvingly preserve common-law

liability, an approval which was extended, for example, by the Supreme Court to common law tort liability for nuclear materials contamination. *See Silkwood v. Kerr-McGee Corp.*, 464 U.S. 238, 251, 104 S. Ct. 615, 78 L.Ed.2d 443 (1984).

When discussing the contours and scope of the common law, the Supreme Court has instructed that it is appropriate for us to look to the pertinent Restatement and other secondary sources.[26] The *Restatement of Torts* has long recognized both injunctive and damages liability for nuisance. Nuisances may be public or private. A public nuisance has been defined as "an activity or a physical condition which endangers the health, safety or property of a considerable number of persons . . . ." *See Restatement (First) of Torts*, Intro. to ch. 40, at 217 (1939).[27] A private nuisance has been defined as "an interference with the use and enjoyment of land, and is a wrong only to persons who have property rights or privileges in the land." *Id.* at 219.[28] Numerous courts have recognized nuisance liability for the failure to contain a variety of hazardous substances in the period before 1969 when the uranium processing began. *See, e.g., Georgia v. Tennessee Copper Co.*, 206 U.S. 230, 238, 27 S. Ct. 618, 51 L.Ed. 1038 (1907) (Holmes, J.) (discharge of sulfurous gas); *Exley v. So. Cotton Oil Co.*, 151 F. 101, 102 (C.C.D.Ga.1907)

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[26] *See, e.g., Harris Trust & Sav. Bank v. Salomon Smith Barney Inc.*, 530 U.S. 238, 250, 120 S. Ct. 2180, 147 L.Ed.2d 187 (2000) (looking to *Restatement (Second) of Trusts* as source for the common law of trusts); *Kolstad v. Am. Dental Ass'n*, 527 U.S. 526, 538, 542, 119 S. Ct. 2118, 144 L.Ed.2d 494 (1999) (looking to *Restatement (Second) of Torts* and *Restatement (Second) of Agency* for guidance in interpreting a federal statute).

[27] *See also Restatement (Second) of Torts* § 821B (1979), defining public nuisance as "an unreasonable interference with a right common to the general public."

[28] *See also Restatement (Second) of Torts* § 821D (1979), defining private nuisance as "a nontrespassory invasion of another's interest in the private use and enjoyment of land."

(see page of chemically polluted water); *Johnson v. City of Fairmont,* 188 Minn. 451, 247 N.W. 572, 573 (1933) (discharge into stream from sewer and factory); *City of Clanton v. Johnson,* 245 Ala. 470, 17 So.2d 669, 671 (Ala.1944) (defective sewer leaking waste); *Carson v. Hercules Powder Co.,* 240 Ark. 887, 402 S.W.2d 640, 641 (1966) (discharge of industrial waste); *City of Syracuse v. Farmers Elevator, Inc.,* 182 Neb. 783, 157 N.W.2d 394, 399 (1968) (discharge of air pollution by anhydrous ammonia facility).[29]

The utilities could not have had reasonable expectations of escaping liability by claiming that they were mere bystanders to the processing by the United States. Section 427B of the *Restatement (Second) of Torts,* published in 1965, made clear that those arranging for processing of hazardous materials could potentially have been liable under the common law for environmental damages arising from the processing:

> One who employs an independent contractor to do work which the employer knows or has reason to know to be likely to involve . . . the creation of a public or private nuisance, is subject to liability for harm resulting to others from such . . . nuisance.

Id. at § 427B. *See, e.g., Loe v. Lenhardt,* 227 Or. 242, 362 P.2d 312, 318 (1961) (spraying of chemicals by independent

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[29] Professor Keeton makes clear, for example, that damage to the environment can constitute a public nuisance:

> Another general type of "public nuisance" is one that is regarded as such because of its impact on the environment, and therefore the use and enjoyment of private property, now and in the future . . . . The air pollution, the soil pollution, the noise pollution or the water pollution must affect the plaintiff in a substantial way and for that reason constitute a private nuisance. It is not irrelevant that others are affected and that so many others are affected as to constitute a public nuisance. This would mean that the conduct is unreasonable and enjoinable.

W. Page Keeton, *et al., The Law of Torts* 651 (5th ed.1984).

contractor).[30] So too, the utilities could reasonably have anticipated potential strict liability because of the hazardous nature of nuclear fuel. Indeed, at the time that the processing began in 1969, section 519 of the *Restatement (First) of Torts*, published in 1938, recognized strict liability for "ultrahazardous activity," defined as activity that: "(a) necessarily involves a risk of serious harm to the person, land or chattels of others which cannot be eliminated by the exercise of utmost care, and (b) is not a matter of common usage." *Id.* at § 520. By the time the *Restatement (Second) of Torts* was published in 1977, atomic energy was singled out for special attention. Comment g to section 520 of that Restatement, for example, characterized atomic energy as an abnormally dangerous activity, concluding that "[s]ome activities, such as the use of atomic energy, necessarily and inevitably involve major risks of harm to others, no matter how or where they are carried on."[31] For all these reasons we conclude that Edison and the other utilities could not have reasonably expected that Congress would not enact legislation imposing remediation costs on the utilities submitting uranium for processing.

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[30] *See also, e.g.*, 7 Stuart M. Speiser, *et al.*, *The American Law of Torts* § 20.16, at 124 (1990) ("[A]s a general rule—all persons who do participate either in the creation or maintenance of a nuisance are liable for injuries suffered therefrom by others."); 58 Am.Jur.2d *Nuisances* § 132, at 772 (1989) ("[A]n employer cannot escape liability by employing an independent contractor to do the work, where a nuisance will result from the performance of such work in the ordinary manner . . . . Furthermore, it is immaterial in determining liability for nuisance that the employer refrains from directing the . . . contractor in the execution of the work procured to be done.").

[31] *See also Restatement (Second) of Torts* § 520 cmt. h, at 39 (1977) ("There is probably no activity, unless it is perhaps the use of atomic energy, from which all risks of harm could not be eliminated by the taking of all conceivable precautions, and the exercise of the utmost care, particularly as to the place where it is carried on.").

The parties have paid little attention to the reasonable expectations of utilities that did not submit uranium for processing but instead purchased enriched uranium from other utilities and then used it in their own reactors. With respect to this material, Congress confronted a choice between assessing the beneficiaries of the processing (that is, the ultimate users of the SWUs) or those utilities that submitted the uranium for processing and then sold it. We conclude that the utilities could have reasonably expected that Congress might impose the assessment on those most directly benefited—that is, the ultimate SWU users.

Despite the existence of these liability risks, Edison appears to argue that the utilities that submitted uranium for processing had no reasonable expectation that liability would be imposed. (On appeal, Edison does not separately address the expectations of the purchasers of already-processed uranium.)

First, it urges that, even if the contracts did not bar the imposition of liability, they led Edison to believe that it would escape liability. In other words, Edison claims that it was lulled into believing that no liability would be imposed. This seems to us little more than an effort to reargue the very contention rejected in *Yankee Atomic*—namely, that the special assessments essentially constituted impermissible retroactive price increases to the utility's fixed-price contracts with the government. As we held there, the contracts said nothing about freedom from possible regulation or its monetary consequences. *Yankee Atomic*, 112 F.3d at 1579. Edison and the other utilities are presumed to have been aware that under well-established principles going back more than a century these contracts could not deprive the United States of the authority to regulate in the area, and could not impose contract liability for such regulation absent an unmistakable promise, which we have held did not exist. *See Winstar*, 518 U.S. at 874, 116 S. Ct. 2432; *Jefferson Branch*

Bank v. Skelly, 66 U.S. (1 Black) 436, 446, 17 L.Ed. 173 (1861) ("[N]either the right of taxation, nor any other power of sovereignty, will be held . . . to have been surrendered, unless such surrender has been expressed in terms too plain to be mistaken."). Edison cannot properly rely on the contracts as shielding it from liability. Indeed, we specifically held in *Atlas* that the mere existence of a fixed price in a government contract cannot create expectations that the government will not use its sovereign power to impose additional costs. *Atlas*, 895 F.2d at 754.

Second, Edison also contends that it was led to believe by government officials that the contract price included remediation costs. Significantly, Edison does not allege that those officials represented that regulatory legislation would not be enacted.[32] Even if such promises or representations had been made about subsequent regulatory assessments, those authorities had no authority to bind the government.

Third, Edison complains that the contamination resulted from the government's failure to dispose of the uranium processing byproducts in a manner that would have avoided remediation costs. No such allegation appears in the complaint, and, even if it had, there is no allegation that Edison and the other utilities were reasonably unaware of the government's waste-disposal methods when it submitted the uranium for processing.

Fourth, Edison argues that it could not anticipate liability because title to the (unenriched) uranium passed from the utilities to the government during the time that the uranium

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[32] In its amended complaint, Edison alleges in pertinent part that "the Government expressly represented to its customers, and to Congress, that its prices [for the processing services] not only included provisions for [decontamination and decommissioning] expense, but that [decontamination and decommissioning] costs would also be recovered from future sales." Complaint at § 34.

was processed at the government-owned plants and back to the utilities only after processing was complete. Edison's argument is essentially that, by temporarily giving up ownership and control of the uranium during processing, those arranging for the processing and receiving uranium after processing should not be liable. We see no basis for the utilities to assume that the technicality of temporary title transfer would necessarily excuse liability that would otherwise exist for those that submitted unenriched uranium for processing and then received enriched uranium after the processing.[33]

Fifth, Edison argues that it could not anticipate liability because the facilities were already largely (if not completely) contaminated when the uranium was processed, and because no significant additional cleanup costs were attributable to the pollution caused by utilities' uranium processing.

Both under the common law and CERCLA, shared liability was well known when multiple parties caused a single injury. *Restatement (First) of Torts* § 879 cmt. a, at 446 (1939); *Restatement (Second) of Torts* § 879 cmt. a, at 324 (1979). So too "[m]ost courts have held [that] CERCLA imposes strict liability and joint and several liability." *Aceto*, 872 F.2d at 1377-78 (collecting cases).

However, Edison argues that both under CERCLA and the common law, in a suit between the responsible parties, liability would be allocated between those responsible parties according to their relative contributions to the cleanup costs,

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[33] *See Northeastern Pharm.*, 810 F.2d at 743 (holding that ownership of a hazardous substance is not required for liability under CERCLA to attach); *Hercules*, 247 F.3d at 720-21 (holding that where "the ownership issue [is] debatable," CERCLA liability may exist because courts have "'not hesitated to look beyond defendants' characterizations to determine whether a transaction in fact involves an arrangement for the disposal of a hazardous substance" (quoting *Aceto*, 872 F.2d at 1381)).

relying on cases and other authority such as *United States v. Hercules, Inc.*, 247 F.3d 706, 715 (8th Cir.2001), *Kerr-McGee Chemical Corp. v. Lefton Iron & Metal Co.*, 14 F.3d 321, 326 (7th Cir.1994), and *Restatement (Second) of Torts* § 433A (1965). Edison effectively argues that it could reasonably have anticipated that it would have had the opportunity to show that the government was 100% responsible.

We do not agree. Under CERCLA and the common law it was notoriously difficult, both as a matter of law and fact, to separate contributions made by particular causes of harm. *See, e.g., Hercules*, 247 F.3d at 717 (observing that under CERCLA "proving divisibility is a very difficult proposition"); *Centerior Serv. Co. v. Acme Scrap Iron & Metal Corp.*, 153 F.3d 344, 348 (6th Cir.1998) ("Given the nature of hazardous waste disposal, rarely if ever will a [potentially responsible party] be able to demonstrate divisibility of harm, and therefore joint and several liability is the norm [under CERCLA]."); [34] *Restatement (Second) of Torts* § 433A cmt. i ("Certain kinds of harm, by their very nature, are normally incapable of any logical, reasonable or practical division."). Under these circumstances the utilities should reasonably have expected that Congress might conclude that Edison and the other utilities did in fact make a major contribution to the cleanup costs and that they should share responsibility. The statute here does not impose all liability on the utilities. They are required to pay less than approximately one-third of the

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[34] *See also Kalamazoo River Study Group v. Menasha Corp.*, 228 F.3d 648, 658 (6th Cir. 2000) (holding that the district court erroneously required the plaintiff to show that each defendant's discharge of hazardous waste was causally linked to an incurrence of response costs and that the correct standard does not include a specific causation requirement, but only that a plaintiff prove that a release of hazardous substances has occurred; that the release caused the plaintiff to incur "necessary costs of response"; and that each defendant is a potentially responsible party).

cost, with the remainder being borne by the government. And even this liability may be passed on to the customers of the utilities to the extent that the utilities' rates are established by traditional rate-making.

In any event, Edison misses the larger point in arguing that CERCLA or the common law would not be construed to impose liability in similar circumstances. The reasonable expectations test does not require that the law existing at the time of processing would impose liability, or that liability would be imposed only with minor changes in then-existing law. The critical question is whether extension of existing law could be foreseen as reasonably possible. Given the broad scope of CERCLA and the common law, we have no doubt that such an extension was easily foreseen, not necessarily as a certainty, but as a reasonable possibility.

In light of Edison's receipt of benefits, the proportionate nature of its liability, and its reasonable expectations, we conclude that its amended complaint failed to state a Due Process claim for which relief may be granted. We also conclude that EPACT is otherwise constitutional.[35]

CONCLUSION

For the foregoing reasons, the decision of the Court of Federal Claims dismissing the complaint for failure to state a claim is affirmed. The appeal from the denial of the stay is dismissed as moot.

AFFIRMED.

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[35] This case does not raise an equal protection challenge to EPACT. Such a claim was made and is rejected in *Maine Yankee Atomic Power Co. v. United States*, No. 99-5156, 2001 WL 1472668 (Fed. Cir. Nov.20, 2001), which we decide today.

COSTS

No costs.

MAYER, *Chief Judge*, with whom *Circuit Judges* NEWMAN and RADER join, dissenting.

For the reasons set forth in Judge Friedman's opinion in *Maine Yankee Atomic Power v. United States*, Nos. 99-5156, -5158, -5160, also issued today, I would reverse the judgment of the Court of Federal Claims to the extent it rejected the due process challenge to the assessment. I also believe the assessment is an illegal exaction. Therefore, I would overrule *Yankee Atomic Electric Co. v. United States*, 112 F.3d 1569 (Fed.Cir.1997), in accordance with my dissent in that case. 112 F.3d at 1582-85.

APPENDIX C

UNITED STATES COURT OF FEDERAL CLAIMS

[Filed July 26, 1999]

No. 95-823 C

SACRAMENTO MUNICIPAL UTILITY DISTRICT,
Plaintiff,

v.

THE UNITED STATES,
Defendant.

OPINION

WIESE, *Judge.*

In the Energy Policy Act of 1992, Pub.L. No. 102-486, 106 Stat. 2776 (codified as amended in various sections of 42 U.S.C.), Congress directed the collection of a special fee from all domestic electric utility companies that previously had purchased enriched uranium from the Government for the generation of electrical energy. The fee, which is to remain in effect for fifteen years following the Act's enactment or until $2.5 billion has been collected, is deposited into a special fund, the Uranium Decontamination and Decommissioning Fund (the "D & D Fund"), to be used to meet the clean-up costs of the Government facilities where the uranium enrichment activities were carried out.

The lawfulness of this fee was the subject of a legal challenge in *Yankee Atomic Elec. Co. v. United States*, 112 F.3d 1569 (Fed.Cir.1997), *rev'g* 33 Fed.Cl. 580 (1995), *cert. denied* 524 U.S. 951, 118 S. Ct. 2365, 141 L.Ed.2d 735 (1998). In that case, a similarly-situated plaintiff argued that the Government's imposition of the fee violated the fixed-price character of the contracts under which the enriched

uranium had been sold to the utility companies. While the trial court initially accepted the plaintiff's argument, the Federal Circuit reversed, holding that the fee constituted "a general exercise of Congress's taxing power for the purpose of addressing a societal problem rather than an act that retroactively increases the price charged to contracting parties for uranium enrichment services." *Id.* at 1577.

The same fee is once again brought under attack in this case. The arguments we encounter now are that the imposition of the fee amounts to an unconstitutional taking of property, a violation of substantive due process and a denial of equal protection.

The Government has moved to dismiss for failure to state a claim on which relief can be granted. Plaintiffs oppose.[1] The parties have filed extensive briefs and oral argument was heard on May 18, 1999. We now decide in defendant's favor.

FACTS

Beginning in the 1940s, the Government, acting originally through the Atomic Energy Commission and later through the Department of Energy (DOE), owned and operated a number of uranium enrichment facilities as part of the national defense program. For almost 25 years, most of the uranium produced at these plants—approximately 96%—was used solely for national defense purposes. In the mid-1960s, however, the Government decided to make its enrichment services available to commercial customers, a decision that was implemented by entering into a series of contracts with various public utilities permitting their purchase of enriched

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[1] Although their cases have not been formally consolidated, the actions filed by Maine Yankee Atomic Power Company, docket number 97-28C, Sacramento Municipal Utility District, docket number 95-823C, and Omaha Public Power District, docket number 96-616C, present nearly identical issues that were briefed and argued together. Accordingly, this opinion speaks to all three claims.

uranium for the generation of electricity. In the main, these contracts provided for the sale of uranium at a fixed price, determined according to prevailing rates established by the Commission at the time the service was provided.

In the early 1990s, following nearly fifty years of uranium enrichment activity, Congress decid d to privatize its enrichment facilities by creating a new, for-profit, governmental corporation called the United States Enrichment Corporation ("USEC"). Under the Energy Policy Act of 1992, USEC was to assume operational control of the enrichment facilities, with the goal of ultimately selling the facilities to private investors. DOE, concerned that the cost of decontaminating the plants would stand as an obstacle to attracting private investment, lobbied Congress to exempt USEC from all clean-up-cost liability. Congress agreed, specifying that all pre-enactment liabilities—including the cost of decontaminating and decommissioning the plants—would remain the responsibility of DOE.

As part of the Energy Policy Act, then, Congress established the Uranium Enrichment Decontamination and Decommissioning Fund to pay for the clean-up of the government-owned enrichment facilities. The Act specified that a portion of the clean-up costs—specifically $330 million annually, or 68% of the required amount—would be contributed by Congress from appropriated funds. The remaining third, a figure not to exceed $2.5 billion, would be collected in up to $150 million annual installments over a fifteen-year period from those domestic utility companies that had earlier used government-enriched uranium in the generation of electricity. 42 U.S.C.A. § 2297g-1 (West 1994 & Supp. 1999). The utilities' portion was subject to annual and aggregate caps, with Congress, by statute, obligated to make up the difference.

Three aspects of the D & D Fund are, from plaintiffs' perspective, worthy of note. First, the fee imposed by the

Energy Policy Act applies only to the end-users of the uranium. Thus, a utility that had contracted with the Government for the purchase of uranium but then had resold the uranium to another utility would not be subject to the fee. As a result, the list of utilities responsible for the fee is strikingly similar to, but not entirely coincident with, the list of utilities that had contracted with the Government. Second, the special assessments are imposed only on those utilities that purchased government-enriched uranium prior to the Energy Policy Act's 1992 enactment, and thus do not apply to domestic customers who purchased USEC services any time after 1992. Finally, the Act specifies that foreign utilities, despite having represented 25% of DOE's pre-1992 commercial customer base, are not subject to the fee.

Under the Act, the fee itself is based on the percentage of uranium enrichment work units each utility had previously purchased from the Department of Energy, relative to the total number of work units produced by DOE over the life of the enrichment facilities. That contribution scheme—apportioning liability for the fee on the basis of pro-rata consumption of uranium—was first challenged in *Yankee Atomic*, 112 F.3d 1569 as a violation of the utilities' fixed-price contracts for the purchase of uranium.

The Federal Circuit, as we earlier noted, rejected Yankee Atomic's claim that the Energy Policy Act impermissibly raised the price of uranium in breach of the parties' fixed-price contracts with the Government. Characterizing the fee as a "general exercise of Congress's taxing power," the Federal Circuit concluded that the assessment was "not a deliberate retroactive increase in the price of those contracts," but was instead "the Government's way of spreading the costs of the later discovered decontamination and decommissioning problem on all utilities that benefited from the Government's service." *Id.* at 1577, 1580.

The plaintiffs now before this court—Maine Yankee Atomic Power Company, Sacramento Municipal Utility District and Omaha Public Power District—each signed enrichment contracts with the Government which, in their original form, were largely identical to the contracts between Yankee Atomic and the Government.[2] As a result of the uranium purchases made under those contracts, plaintiffs, like Yankee Atomic, have been subject to the assessment outlined in the Energy Policy Act. As of the date of suit in this court, Omaha Public Power District had paid approximately $7.4 million of the $19 million it is projected to owe under the Energy Policy Act for purchases of uranium made from 1969 until 1992; Maine Yankee Atomic Power Company had paid $9,815,718.57 of its estimated $25 million liability on uranium purchases from 1970 until 1986; and Sacramento Municipal Utility District had paid more than $5.8 million of its projected $8 million liability for uranium purchased from 1969 until 1981. Of the three utilities, only one—Maine Yankee—has abandoned the electricity generating business entirely, closing down its sole electricity generating facility permanently in 1996.

DISCUSSION

In the first count of their amended complaints,[3] plaintiffs assert that the imposition of a monetary liability which is both

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[2] Omaha Public Power maintains that the Utility Services Contract and the Supplemental Agreement of Settlement it signed in 1984 (terminating all existing uranium contracts and providing that "all obligations arising under [its then existing] contract shall be deemed to be concluded") differentiates its contract from the contracts at issue in *Yankee Atomic*. We address this contention later in this opinion.

[3] The claims now before us were pending, but stayed, while the parallel claim in *Yankee Atomic* was proceeding before the trial and appellate courts. In light of the decision in *Yankee Atomic*, plaintiffs filed amended complaints in which they essentially have distanced themselves from their earlier contract-based theories. Plaintiffs attempt now to move forward under the theories set forth in *Eastern Enterprises v. Apfel*, 524 U.S. 498,

retroactive and unconnected to their past conduct deprives them of property rights in violation of the Takings Clause of the Fifth Amendment. The second count sets forth a due process claim based on similar contentions—that the assessment is unconstitutional to the extent that it imposes on plaintiffs a severe, disproportionate and extremely retroactive liability. Plaintiffs' third and final count alleges a taking and/or breach of plaintiffs' contract-based rights.

Defendant, in turn, has moved to dismiss plaintiffs' claims. It contends first that plaintiffs' takings and due process arguments were considered and rejected by the Federal Circuit in *Yankee Atomic* and, under the principle of *stare decisis*, should not be revisited. Second, defendant argues that the holding in *Eastern Enterprises v. Apfel*, 524 U.S. 498, 118 S. Ct. 2131, 141 L.Ed.2d 451 (1998), striking down as unconstitutional the imposition of a severely retroactive liability on a party that had no reason to anticipate the liability and whose experience was not commensurate with the burden later imposed, is not dispositive of the issues before us. Finally, defendant maintains that even under the traditional tenets of due process and takings law, plaintiffs' claims must fail. We address those arguments in turn.

I. *Stare Decisis*

In urging us to apply the doctrine of *stare decisis*, defendant argues that the *Yankee Atomic* ruling, upholding the assessment on the grounds that it constitutes a general tax falling proportionally on those utilities that had benefited from the Government's services, disposes of the issues now before us. While we agree that the *Yankee Atomic* decision goes a long way in addressing plaintiffs' present arguments,

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118 S. Ct. 2131, 141 L.Ed.2d 451 (1998), specifically that a retroactive imposition of liability may, in certain circumstances, constitute a violation either of the Takings Clause or Due Process Clause of the Fifth Amendment.

we are unconvinced, however, that the decision forecloses plaintiffs' takings and due process claims. Only to the extent that plaintiffs now attempt to maintain contract-based claims—an issue argued before, and rejected by, the Federal Circuit in *Yankee Atomic*—do we find the doctrine of *stare decisis* to be applicable.

In reaching this conclusion, we begin with a fundamental principle of *stare decisis:* in order for an issue of law to be seen as settled, and hence binding, it must have been both heard and decided by an earlier court. 18 James Wm. Moore et al., Moore's Federal Practice § 134.04 [2] (3d ed.1998). *Stare decisis* applies "only to legal issues that were actually decided in a prior action" and not to those which were neither "litigated [n]or resolved." *Beacon Oil Co. v. O'Leary*, 71 F.3d 391, 395 (Fed.Cir.1995). In addition, a case will not be treated as binding precedent on a point of law where the holding is only implicit or assumed in the decision but is not announced. *United States v. L.A. Tucker Truck Lines*, 344 U.S. 33, 38, 73 S. Ct. 67, 97 L.Ed. 54 (1952).

Two obstacles prevent us from invoking the doctrine of *stare decisis*. As an initial matter, we do not believe the *Yankee Atomic* decision explicitly rules on, nor even squarely addresses, plaintiffs' takings or due process arguments. As we discuss below, the takings and due process claims put forth by Yankee Atomic differ in crucial respects from the takings and due process claims now before this court. In addition, the Supreme Court's opinion in *Eastern Enterprises*—issued after the *Yankee Atomic* decision—adds a new perspective to the issues at hand. To the extent that the decision must guide our own thinking, we are not prepared to conclude that the decision would in no way have shaped the Federal Circuit's thinking in *Yankee Atomic* as well. And it is this subtle shift in legal thought we are now bound to explore.

Considering first the scope of the *Yankee Atomic* decision, we note that while the Government is correct in asserting that

the *Yankee Atomic* court considered both due process and takings challenges to the Energy Policy Act assessment, it considered only a single aspect of those challenges: whether the contract rights, establishing a fixed price for government-provided enrichment services, had been taken or otherwise violated. The court was not asked to address, nor did it consider, whether the assessment, properly treated as a tax, met the standards of takings and due process law as applied simply to governmental demands for money.

Indeed, the takings claim that was presented and briefed in *Yankee Atomic* was the taking of a contract right. The trial court explicitly characterized the assessment as a revision in contract price, and held the assessment unconstitutional on the grounds that it deprived Yankee Atomic of the economic benefit provided by the contract. To the extent that a taking or, in the words of the trial court, an illegal exaction, had occurred, the illegality was specifically predicated on a violation of contract-based rights.

The contract-based approach to the problem continued at the appellate level: "The decision of the Court of Federal Claims is driven by its characterization of the special assessment as a retroactive price increase rather than an exercise of the sovereign's taxing power, and the parties' dispute over this characterization frames the dispositive issue of this appeal." *Yankee Atomic*, 112 F.3d at 1573. However, in focusing on what the assessment was not—an impermissible infringement on *contract* rights—the Federal Circuit was not required to explore the full dimensions of what it concluded the assessment in fact was—the imposition of a tax. Accordingly, the court made no explicit findings with regard to whether money, rather than contract rights, had indeed been taken.

Similarly, while the alleged retroactivity of the fee was a feature of the *Yankee Atomic* case, it was not, either in the arguments before the court or in the court's decision, treated

as a true factor in assessing the fee's constitutionality. To the extent that due process or takings issues were addressed, the focus remained on the Government's action as it affected contract rights, not as a limitation on the Government's power to tax. "Regardless of whether the situation is characterized as a breach of contract, an unlawful taking, or an unlawful exaction, the arguments stem from Yankee Atomic's prior contracts with the Government." *Id.* at 1574 n. 2. *Yankee Atomic* thus offers us no guidance as to what restrictions on the Government's taxing power takings law or due process may in fact impose.

In assessing the applicability of *stare decisis*, then, we must ask ourselves whether we can be assured that *Yankee Atomic* answered, in a deliberate fashion, the questions plaintiffs raise here: whether, independent of any contract right, the special assessment imposed by the Energy Policy Act amounted to a taking of plaintiffs' money; whether the liability itself was so retroactive, so divorced from plaintiffs' experiences and so contrary to their expectations that it violated due process. These questions, we believe, were not answered.

With regard to plaintiffs' contract-based claims,[4] however, we find *Yankee Atomic* to be dispositive. In determining that the assessment constituted an exercise of general taxation apart from, and wholly independent of, the parties' earlier contractual relationship, the Federal Circuit rejected the contention that the assessment amounted to an impermissible infringement on the plaintiff's contract-based rights. This court, in turn, is bound by that ruling.

Nor do the additional contract documents put forth by Omaha Public Power District change that result. We see

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[4] With the exception of Omaha Public Power District, plaintiffs concede the preclusive effect of *Yankee Atomic* and reiterate their contract claims merely to preserve the issue for appeal.

nothing in the Utility Services Contract or the 1984 Supplemental Agreement to differentiate it from the contract that was at issue in *Yankee Atomic*. And to the extent that the fixed-price terms of the contract were held by the Federal Circuit not to constitute an unmistakable promise, no additional terms in the Supplemental Agreement satisfy that unmistakability requirement. The unmistakability doctrine—a principle which dictates that immunity from future legislation (here, a tax) be clearly, unmistakably incorporated into a contract with the Government in order to be enforced—requires more than the generic statements embodied in the Supplemental Agreement or the extra-contractual assurances by Government officials allegedly made to Omaha.

II. The *Eastern Enterprises* Decision

A. The Essential Ruling

Moving forward, then, with plaintiffs' due process and takings claims, we begin with the contentions that the Energy Policy Act assessment impermissibly imposes financial liability on parties not responsible for the problem that the legislation addresses, and is based on conduct excessively far in the past. As evidence of those two propositions, plaintiffs point first to testimony offered before a congressional subcommittee to the effect that it was the use of the enrichment facilities by the U.S. military that alone contaminated the plants, and that the subsequent enrichment of uranium for commercial purposes added no additional contamination.[5] Plaintiffs additionally point to the fact that the fees levied are

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[5] See, for instance, Department of Energy Budget Request for Fiscal Year 1993: Oversight Hearing before the Subcommittee on Energy and the Environment of the Committee on Interior and Insular Affairs, 102d Cong., 2d Sess. at 79 (Feb. 28, 1992) (statement of William H. Young, Assistant Secretary for Nuclear Energy, United States Department of Energy) (acknowledging that "the contamination that was placed on the systems and structures occurred during that 20-year period that it was operated for the government").

based, in some instances, on purchases of uranium that occurred some twenty-three years before the passage of the Energy Policy Act.

Plaintiffs' orientation to the present problem is shaped in large part by the holding in *Eastern Enterprises,* 118 S. Ct. 2131—a decision defendant maintains is inapplicable to the facts at hand. In *Eastern Enterprises,* a coal mining company challenged the Coal Industry Retiree Health Benefit Act of 1992 (the Coal Act), charging that the act was unconstitutional as applied to it. The Coal Act obligated Eastern to pay premiums, beginning in 1992, to cover health care benefits for former employees who had worked for Eastern prior to 1966, despite the fact that Eastern itself had ceased its mining operations in 1965. Central to the Supreme Court's analysis was the fact that, of the various bargaining agreements signed by the coal industry throughout the years, only those agreements reached after 1965—i.e., those in which Eastern Enterprises had not participated—contained explicit reference to, or fostered expectations of, lifetime health benefits.

A four-justice plurality held that the assessment, reaching back more than thirty years and unrelated to the company's experience with the health-care plans, violated the Takings Clause. One justice, concurring in the result, rejected the applicability of the Takings Clause, but reached his conclusion based on due process grounds. In contrast, a four-justice dissent concluded that the Takings Clause was inapplicable, and that due process had not been violated.

It is the fractured nature of that decision which defendant believes limits its holding. This court need not apply a takings analysis, defendant maintains, since a majority of the Court—the four dissenters along with Justice Kennedy in his concurrence [6]—explicitly rejects the applicability of the

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[6] The dissent rejected the plurality's takings analysis on the ground that the case involved "not an interest in physical or intellectual property, but

Takings Clause to "an ordinary liability to pay money." *Eastern Enterprises*, 118 S. Ct. at 2162 (Breyer, J., dissenting). And in the absence of *Eastern Enterprises*, defendant contends, prevailing case law would only require the act to meet a standard of rationality in order to withstand a constitutional challenge.

While we recognize that the takings analysis employed by the plurality in *Eastern Enterprises* does not necessarily reflect the approach advocated by the remaining members of the Court, we are nonetheless mindful of the D.C. Circuit's observation that "[w]hen a fragmented Court decides a case and no single rationale explaining the result enjoys the assent of five Justices, 'the holding of the Court must be viewed as that position taken by those members who concurred in the judgments on the narrowest grounds.'" *King v. Palmer*, 950 F.2d 771, 783 (D.C.Cir.1991) (quoting *Marks v. United States*, 430 U.S. 188, 193, 97 S. Ct. 990, 51 L.Ed.2d 260 (1977)) (emphasis omitted).

If *Eastern Enterprises* does not stand for a single, distinct approach to the problem before it, it nonetheless stands for a clear principle: a liability that is severely retroactive, disruptive of settled expectations and wholly divorced from a party's experience may not constitutionally be imposed. We draw that conclusion from the language offered both by the plurality and by the concurrence. The plurality pointed out that Supreme Court decisions "have left open the possibility that legislation might be unconstitutional if it imposes severe retroactive liability on a limited class of parties that could not

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an ordinary liability to pay money, and not to the Government, but to third parties." *Eastern Enterprises*, 118 S. Ct. at 2162 (Breyer, J., dissenting). Justice Kennedy, writing in concurrence, further cautioned that "[t]he plurality's opinion disregards this requirement [that a specific property right or interest be at stake] and, by removing this constant characteristic from takings analysis, would expand an already difficult and uncertain rule to a vast category of cases not deemed, in our law, to implicate the Takings Clause." *Id.*, 118 S. Ct. at 2155 (Kennedy, J., concurring).

have anticipated the liability, and the extent of that liability is substantially disproportionate to the parties' experience." *Eastern Enterprises*, 118 S. Ct. at 2149. The plurality then went on to criticize the assessment as "not calibrated either to Eastern's past actions or to any agreement—implicit or otherwise—by the company," rejecting the liability on the grounds that it was "substantial in amount, based on the employer's conduct far in the past, and unrelated to any commitment that the employers made or to any injury they caused." *Id.*, 118 S. Ct. at 2153. Similarly, Justice Kennedy, in his concurrence, looked to the "degree of retroactive effect" as a "significant determinant" in assessing a statute's constitutionality. *Eastern Enterprises*, 118 S. Ct. at 2159 (Kennedy, J., concurring). Noting that the retroactivity in *Eastern* was of "unprecedented scope," he concluded that, to the extent that Eastern was responsible neither for the miners' expectations of life-long health benefits nor for the benefit plan's fiscal instability, it could not constitutionally be made to bear the burden imposed by the Coal Act. *Id.*

The *Eastern Enterprises* test thus asks us to look more broadly—whether through the lens of takings or due process—at the equity of imposing retroactive liability if the length of the retroactivity is great and the party's experience with the underlying problem inconsequential.

B. The Ruling Applied

In examining the factors which unified the plurality and the concurrence in *Eastern Enterprises*, we begin first with the magnitude of the retroactivity. Plaintiffs urge us to measure the length of retroactivity from the time the utilities first purchased uranium from the Government, on the grounds that the assessment changes the consequences of transactions dating back to those years. By plaintiffs' calculations, the assessment taxes Omaha and Sacramento on purchases made twenty-three years before the statute's enactment, and Maine Yankee on purchases made twenty-two years before that date.

i. Retroactivity

While at first glance the length of time appears to rival the thirty to fifty-year period found objectionable in *Eastern Enterprises*, those numbers belie an important distinction: Eastern Enterprises had left the coal business almost thirty years before the Coal Act's passage, and was no longer a member of the industry either at the time the expectation of lifetime benefits was fostered or at the time the existing benefit fund became unstable. Plaintiffs, in contrast, continued to participate in the uranium enrichment field, in at least one instanee, up until the date of the Energy Policy Act's passage [7] and had, by definition, contemporaneous exposure to the process (i.e., the enrichment) which created the problem. While the import of that distinction may not be immediately obvious, it goes to the heart of the case against retroactive law-making. The objection to retroactivity is not simply that a transaction is "reopened," but that legitimate, long-settled expectations are themselves disrupted. Put simply, retroactivity most offends when dealings an individual reasonably views as both completed and long-past are, without legitimate justification, again called into account. We explain further.

To the extent that Eastern had left the coal business entirely and had done so at a time when the driving forces behind the Coal Act—the miner's expectations of lifetime benefits and the instability of the benefit fund—had yet to come into existence, it could reasonably have concluded that its dealings in the coal industry were complete. The *Eastern Enterprises* decision taught in part that such thirty-year-old expectations

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[7] Omaha Public Power District continued to purchase government-enriched uranium until 1992; Maine Yankee until 1986 and Sacramento Municipal Utility District until 1981. In the case of Sacramento, however, its contracts with the Government continued until 1990 even though it had exercised opt-out provisions to permit its purchase of uranium from other sources.

should not be lightly undone. Plaintiffs' situation offers no parallel: unlike Eastern, they did not leave the industry decades before the imposition of liability, nor were they charged with remedying a problem that was still to be recognized at the time they completed the conduct on which their liability was later to be based. Plaintiffs, still purchasing uranium well into the 1980s and 1990s (and presumably aware, at least in a general sense, of the problem of contamination), could not reasonably have harbored the same sense of closure with regard to those transactions as did the plaintiff in *Eastern Enterprises*.

The Energy Policy Act's retroactive effect extends, at most, for less than a decade, though we see no need actually to quantify that period. As intimated above, what concerns us is not the length of the period per se—one could hardly maintain, for instance, that an eleven-year reach-back is unacceptable while a nine-year reach-back passes muster—but the reasons for the retroactivity and the retroactivity's effect. *Eastern Enterprises* teaches that, even in the face of severe retroactivity (not, we believe, the present situation), the extent of a statute's retroactivity is not the only factor to be considered in determining the legislation's constitutionality. We turn then to the other factors.

ii. Proportionality—Present Burden and Past Conduct

Significant also to the *Eastern Enterprises* analysis was the fact that Eastern had no reason to anticipate the liability imposed on it, and its burden was substantially disproportionate to its experience. Focusing on the proportionality of the current plaintiffs' burden to their experience, we make two general but crucial observations: the plaintiffs' burden, ultimately, was small, and its experience—at least for the purposes of assigning liability—was great. We explore those conclusions further.

With regard to the magnitude of the liability, we begin with the point that a lion's share of the expense for the clean-up—some 68%—is to be funded by Congress through public appropriations. The utilities, from the beginning, were slated only to shoulder less than a third of the total costs. In addition, the Energy Policy Act contains a specific pass-through mechanism, designed to ensure that the utilities' present customers, rather than the utilities themselves, bear the ultimate expense of the assessment.[8] That amount, spread over a wide customer base and included as a present cost of fuel, is a far less substantial burden--either on the utilities or on its customers—than the one challenged in *Eastern Enterprises*.

Turning next to the experience criterion, we note first that the calculation of liability was not, in the words of the Supreme Court "made in a vacuum." *Eastern Enterprises*, 118 S. Ct. at 2150 (quoting *Connolly v. Pension Benefit Guaranty Corp.*, 475 U.S. 211, 225, 106 S. Ct. 1018, 89 L.Ed.2d 166 (1986)). The assessments are based on each utility's pro rata consumption of uranium—a method which explicitly allocates liability in direct proportion to the amount of uranium received and used. In that respect, then, the assessment is exactly as the Federal Circuit described it in *Yankee Atomic:* "a general tax that falls proportionally on all utilities that benefited from the DOE's uranium enrichment services." *Yankee Atomic*, 112 F.3d at 1575. And as the Federal Circuit there recognized, "the costs of large, unrecognized societal problems are frequently spread among those who benefited from the source of the problem." *Id.* at 1576 n. 6.

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[8] 42 U.S.C. § 2297g-1(g), titled "Treatment of assessment" provides that "[a]ny special assessment levied under this section . . . shall be deemed a necessary and reasonable current cost of fuel and shall be fully recoverable in rates in all jurisdictions in the same manner as the utility's other fuel costs."

Plaintiffs object to that justification on the grounds that it was the U.S. military—rather than they—who allegedly caused the contamination of the enrichment facilities. Yet even if we were to accept plaintiffs' contention that the uranium sold to plaintiffs caused *no* additional contamination (as indeed we must for the purposes of this motion), we nonetheless conclude that plaintiffs received a benefit—i.e., the enriched uranium—made possible only through the prior contamination of the plants. Thus, plaintiffs' situation readily accommodates itself to the observation noted by the Supreme Court in *United States v. Sperry Corp.*, 493 U.S. 52, 65, 110 S. Ct. 387, 107 L.Ed.2d 290 (1989) that "[i]t is surely proper for Congress to legislate retrospectively to ensure that costs of a program are borne by the entire class of persons that Congress rationally believes should bear them."

Plaintiffs respond that, to the extent that the enrichment services represented a benefit, it was a benefit for which they had already paid in full through their contract price. Yet, as discussed in *Yankee Atomic*, the assessment does not represent an increase in contract price, but rather the imposition of liability to remedy a social ill. *Yankee Atomic*, 112 F.3d at 1575. And the fact that the contamination—a partial legacy of plaintiffs' dealings with the Government—exists, necessarily means that there remain unpaid social costs of those transactions. That plaintiffs could have purchased their uranium elsewhere (and, as with Sacramento, did in fact does so) [9] is beside the point. The contamination clean-up is an "actual, measurable cost of [the] business" in which plaintiffs

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[9] As a result of competition from foreign uranium suppliers, including facilities in France, Canada, Italy, Russia, China, India and England, the Government's share of the enrichment market declined from almost 100% in the 1960s and 1970s to less than 50% in 1983. When foreign suppliers offered lower prices—specifically in 1984, 1985, 1987, 1988 and 1990—Sacramento elected not to exercise its contract right to purchase uranium from the Government in those years.

chose to participate. *Eastern Enterprises*, 118 S. Ct. at 2159 (quoting *Usery v. Turner Elkhorn Mining Co.*, 428 U.S. 1, 19, 96 S. Ct. 2882, 49 L.Ed.2d 752 (1976)).

The question whether plaintiffs could have anticipated the liability is an inquiry closely related, if not identical, to the considerations which underpin our concerns about retroactivity and experience. Retroactivity is largely objectionable, for instance, to the extent it cannot be anticipated (with all the concomitant issues such lack of notice engenders), and a close experiential connection between the burdened party and the fee imposed necessarily means that the liability should have been anticipated. While we discuss below—in our assessment of the reasonableness of their investment-backed expectations—the extent to which plaintiffs might have anticipated their Energy Policy Act liability, we note only that plaintiffs' participation in so highly regulated a field and their receipt of benefit from that field should each have served as notice of a possible future obligation. Heavy industry regulation of the sort seen in the nuclear industry means that few legislative changes can truly be seen as wholly unanticipated. *Atlas Corp. v. United States*, 895 F.2d 745, 758 (Fed.Cir.1990). And, as a more general matter, those who create a burden for society or who benefit from a burden's creation must be seen as implicitly accepting responsibility and possessing constructive knowledge that they may one day be called to account.

Thus, none of the factors found crucial in *Eastern Enterprises*—the length of the retroactivity, the unforeseen nature of the assessment or the disconnect between Eastern's conduct and its resulting liability, militate against a finding of constitutionality in the present case. In short, the assessment is not an unlawful exaction.

III. The Energy Policy Act as a Taking

In spite of the divided nature of the *Eastern Enterprises* decision, however, plaintiffs nonetheless urge us to apply the

plurality's takings analysis to find that the Energy Policy assessment constitutes a compensable taking of plaintiffs' property. Yet, despite our reservations about that approach, we conclude that even when viewed through a traditional takings analysis, plaintiffs' claim must fail. None of the factors cited in *Eastern Enterprises*—the economic impact of the legislation, the reasonableness of plaintiffs' investment-backed expectations and the character of the government action—support the finding of a taking of property. We explain further.

As discussed above, the magnitude of the liability imposed on plaintiffs is sharply diminished by their ability to pass through the costs to their customers. 42 U.S.C. § 2297g-1(g).[10] The fact that the tax burden falls, as Sacramento acknowledges, on Sacramento's "current and future ratepayers," necessarily means that the economic impact on Sacramento—limited perhaps to incidental costs of collection—is slight. Thus, plaintiffs cannot show "any deprivation significant enough to satisfy the heavy burden placed upon one alleging a regulatory taking." *Keystone Bituminous Coal Assn. v. De Benedicts*, 480 U.S. 470, 493, 107 S. Ct. 1232, 94 L.Ed.2d 472 (1987).[11]

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[10] *Hughes Communications Galaxy, Inc. v. United States*, 38 Fed.Cl. 578 (1997), a case provided to us by plaintiffs, does not reach a contrary result. There, the court concluded in a breach of contract action that the contractor's ability to receive indemnification from third parties in no way affected the measure of the damages resulting from the Government's breach. Such reasoning has no application in the takings context, where the ability to pass on a cost speaks not to the measure of damages, but to the economic impact of the challenged action.

[11] The fact that Maine Yankee ceased its operations in 1996 and presumably can no longer pass on the fee to its customers does not change the analysis. Maine Yankee was in business at the time of the Energy Policy Act's passage, meaning that it, like the other domestic utilities to which the act applied, was intended—and able—to pass on those costs. That Maine Yankee later chose to leave the industry, fully aware of

As to their investment-backed expectations, plaintiffs offer a host of reasons why they reasonably did not expect to be subject to the fee in question: the fixed-price nature of their original contracts; the supplemental agreements of settlement signed by Sacramento & Omaha purporting to settle all claims; the statutory requirement that the prices as originally set be sufficient to recover all costs; the settled expectations of twenty-two year's time; and the Government's sole possession and control of the enrichment facilities.

What that assessment overlooks, however, is the benefit conferred on plaintiffs as a byproduct of the contamination's creation. Retroactive legislation is most suspect when it deprives citizens of legitimate expectations. But legitimate expectations cannot include an expectation of immunity from legislation that imposes additional costs on activities from which the plaintiff derived a prior benefit. As the Federal Circuit has pointed out, a commercial expectation, harbored in a field as regulated as the nuclear industry, that a company will not have to "spend its own money to remediate health and environmental hazards created by its own production of uranium" is simply unreasonable. *Atlas*, 895 F.2d at 758.

In assessing the nature of the government action, the court in *Eastern Enterprises* concluded that the liability was "quite unusual" as it "singles out certain employers to bear a burden that is substantial in amount, based on the employer's conduct far in the past, and unrelated to any commitment that the employers made or to any injury they caused . . ." *Eastern Enterprises*, 118 S. Ct. at 2153. But while plaintiffs make much of the fact that, according to the Government's own account, the contamination occurred during the twenty years the facilities were operated solely for governmental purposes, we do not find that factor dispositive. All indicators point to

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its existing obligations, cannot transform either the character of the government action or the economic impact of the Act as it was originally imposed.

the fact that Congress, confronted with a hazard created by uranium enrichment, looked for partial contribution from those who created the demand for the uranium.

Ultimately, it is that determination which most sways us. Whether we analyze the assessment under the Due Process Clause, under the Takings Clause, or under some amalgam of the two, we are, in the end, faced with a single, basic question: Is it inherently unfair, unjust, or irrational for Congress, when faced with costs resulting from the enrichment of uranium, to ask those parties who received the uranium to contribute to the solution? The answer, quite clearly, is no. Plaintiffs' assessments are directly proportional to their usage of uranium enrichment services—the very services which created the contamination. Congress itself took responsibility for more than two thirds of the clean-up costs and assigned the rest, as a general tax, to the rate- payers in districts which had previously benefited from nuclear power. Such a scheme can hardly be construed as beyond the reach of fairness or rationality. Accordingly, we are bound to conclude there has been no taking here.

IV. Equal Protection

Although the Energy Policy assessment comports, in our view, with both takings law and due process, plaintiffs nonetheless argue that the fee constitutes a violation of equal protection. According to plaintiffs, the fact that foreign utilities were exempted from the assessment impermissibly differentiates between similarly-situated entities—i.e., all those that had consumed government-enriched uranium. In addition, plaintiffs contend, the Act draws an illegitimate distinction between purchasers who resold the uranium, and those who kept it for their own purposes, as well as between pre-1992 consumers (who are subject to the fee) and post-1992 consumers (who are exempt).

The short answer to plaintiffs' objection is that the drawing of such categories neither implicates nor violates the 14th Amendment. With regard to Congress's decision to exempt foreign utilities from liability, we refer to the Supreme Court's observation in *Barclay & Co. v. Edwards*, 267 U.S. 442, 451, 45 S. Ct. 135, 69 L.Ed. 703 (1924) that "[c]onsiderations of policy toward foreign countries may very well justify an exemption of the foreign corporations from taxes that might legitimately be imposed on them, but which Congress does not think it wise to exact." In addition, we think it significant that, as defendant points out in its motion to dismiss, the exclusion of foreign utilities from the liability equation in no way increases or otherwise affects plaintiffs' portion of domestic utility usage.

Similarly, legislatures need not burden the most responsible party to survive rational basis review. *Association of Bituminous Contractors, Inc. v. Apfel*, 156 F.3d 1246, 1255-56 (D.C.Cir.1998). While the original purchasers of uranium (those who resold it and were therefore exempt from assessment) may seem, to plaintiffs, equally to have benefited from the enrichment services, we cannot conclude that Congress's decision to target end-users was without rational basis. And although plaintiffs may have preferred a system under which Use's post-1992 customers likewise picked up the tab, Congress's assignment of liability for a past problem to past consumers does not stretch the limits of the reasonable.

Accordingly, plaintiffs' equal protection challenge, like its takings and due process claims, must fail.

CONCLUSION

In apportioning the costs of modern life, Congress must often determine which expenses should properly be seen as liabilities belonging to society as a whole, and which should instead be treated as obligations of a smaller subset of the

population. Congress could reasonably have determined that plaintiffs, along with other recipients of government-enriched uranium, were the beneficiaries of the process through which the uranium plants became contaminated. The fact that plaintiffs may not have caused the contamination, and indeed may simply have received a benefit from uranium plants long- contaminated before plaintiffs' arrival on the scene, does not diminish their accountability. The burden imposed on plaintiffs by the Energy Policy Act is not impermissibly substantial, nor unduly retroactive, nor unacceptably divorced from plaintiffs' experience with the program so as to violate any constitutional mandate. Plaintiffs have suffered no unconstitutional taking nor other unlawful exaction of their funds. We therefore grant defendant's motion to dismiss and direct the entry of judgment accordingly.

APPENDIX D

A. PERTINENT PROVISIONS OF EPACT AS ENACTED (PUBLIC LAW 102-486—OCT. 24, 1992)

1. PERTINENT PROVISIONS OF TITLE IX (106 STAT. 2929 *ET SEQ.*)

TITLE IX—UNITED STATES ENRICHMENT CORPORATION

SEC. 901. ESTABLISHMENT OF THE UNITED STATES ENRICHMENT CORPORATION.

The Atomic Energy Act of 1954 (42 U.S.C. 2011 *et seq.*) is amended by adding at the end the following new title:

"TITLE II—UNITED STATES ENRICHMENT CORPORATION

"CHAPTER 22—GENERAL PROVISIONS

* * * *

"SEC. 1202. PURPOSES. [42 USC 2297a.]

"The Corporation is created for the following purposes:

"(1) To operate as a business enterprise on a profitable and efficient basis.

"(2) To maximize the long-term value of the Corporation to the Treasury of the United States.

"(3) To lease Department uranium enrichment facilities, as needed.

"(4) To acquire uranium for uranium enrichment, low-enriched uranium for resale, and highly enriched uranium for conversion into low-enriched uranium, as needed.

"(5) To market and sell its enriched uranium and uranium enrichment and related services to—

"(A) the Department for governmental purposes; and

"(B) domestic and foreign persons, as provided in section 1303(6).

"(6) To conduct research and development as required to meet business objectives for the purposes of identifying, evaluating, improving, and testing alternative technologies for uranium enrichment.

"(7) To conduct the business as a self-financing corporation and eliminate the need for Federal Government appropriations or sources of Federal financing other than those provided in this title.

"(8) To help maintain a reliable and economical domestic source of uranium enrichment services.

"(9) To comply with laws, and regulations promulgated thereunder, to protect the public health, safety, and the environment.

"(10) To continue at all times to meet the objectives of ensuring the Nation's common defense and security, including abiding by United States laws and policies concerning special nuclear materials and nonproliferation of atomic weapons and other nonpeaceful uses of atomic energy.

"(11) To take all other lawful actions in furtherance of these purposes.

"CHAPTER 23—ESTABLISHMENT, POWERS, AND ORGANIZATION OF CORPORATION

"SEC. 1301. ESTABLISHMENT OF THE CORPORATION. [42 USC 22976.]

"(a) IN GENERAL.—There is established a body corporate to be known as the United States Enrichment Corporation.

"(b) Government CORPORATION.—The Corporation shall be established as a wholly owned Government corporation subject to chapter 91 of title 31, United States Code (commonly referred to as the Government Corporation Control Act), except as otherwise provided in this title.

"(c) FEDERAL Agency.—The Corporation shall be an agency and instrumentality of the United States.

* * * *

"CHAPTER 24—RIGHTS, PRIVILEGES, AND ASSETS OF THE CORPORATION

* * * *

"SEC. 1406. LIABILITIES. [42 USC 2297c-5.]

"(a) LIABILITIES BASED ON OPERATIONS BEFORE TRANSITION.—Except as otherwise provided in this title, all liabilities attributable to operation of the uranium enrichment enterprise before the transition date shall remain direct liabilities of the Department.

"(b) JUDGMENTS BASED ON OPERATIONS BEFORE TRANSITION.—Any judgment entered against the Corporation imposing liability arising out of the operation of the uranium enrichment enterprise before the transition date shall be considered a judgment against and shall be payable solely by the Department.

"(c) REPRESENTATION.—With regard to any claim seeking to impose liability under subsection (a) or (b), the United States shall be represented by the Department of Justice.

"(d) JUDGMENTS BASED ON OPERATIONS AFTER TRANSITION.—Any judgment entered against the Corporation arising from operations of the Corporation on or after the transition date shall be payable solely by the Corporation from its own funds. The Corporation shall not be considered a Federal agency for purposes of chapter 171 of title 28, United States Code.

* * * *

"CHAPTER 25—PRIVATIZATION OF THE CORPORATION

"SEC. 1501. STRATEGIC PLAN FOR PRIVATIZATION. [42 USC 2297D.]

"(a) IN GENERAL.—Within 2 years after the transition date, the Corporation shall prepare a strategic plan for transferring ownership of the Corporation to private investors. The corporation shall revise the plan as needed.

"(b) CONSIDERATION OF ALTERNATIVE MEANS OF TRANSFERRING OWNERSHIP.—The plan shall include consideration of alternative means for transferring ownership of the Corporation to private investors, including public stock offering, private placement, or merger or acquisition. The plan may call for the phased transfer of ownership or for complete transfer at a single point of time. If the plan calls for phased transfer of ownership, then—

"(1) privatization shall be deemed to occur when 100 percent of ownership has been transferred to private investors;

"(2) prior to privatization, such stock shall be nonvoting stock; and

"(3) at the time of privatization, such stock shall convert to voting stock.

"(c) EVALUATION AND RECOMMENDATION.—The plan shall evaluate the relative merits of the alternatives considered and the estimated return on the Government's investment in the Corporation achievable through each alternative. The plan shall include the Corporation's recommendation on its preferred means of privatization.

"(d) TRANSMITTAL.—The Corporation shall transmit copies of the strategic plan for privatization to the President and Congress upon completion.

"SEC. 1502. PRIVATIZATION. [42 USC 2297d-1.]

"(a) IMPLEMENTATION.—Subsequent to transmitting a plan for privatization pursuant to section 1501, and subject to subsections (b) and (c), the Corporation may implement the privatization plan if the Corporation determines, in consultation with appropriate agencies of the United States, that privatization will—

"(1) result in a return to the United States at least equal to the net present value of the Corporation;

"(2) not result in the Corporation being owned, controlled, or dominated by an alien, a foreign corporation, or a foreign government;

"(3) not be inimical to the health and safety of the public or the common defense and security; and

"(4) provide reasonable assurance that adequate enrichment capacity will remain available to meet the domestic electric utility industry.

"(b) REQUIREMENT OF PRESIDENTIAL APPROVAL.—The Corporation may not implement the privatization plan without the approval of the President.

"(c) NOTIFICATION OF CONGRESS AND GAO EVALUATION.—The Corporation shall notify the Congress of its intent to implement the privatization plan. Within 30 days of notification, the Comptroller General shall submit a report to Congress evaluating the extent to which—

"(1) the privatization plan would result in any ongoing obligation or undue cost to the Federal Government; and

"(2) the revenues gained by the Federal Government under the privatization plan would represent at least the net present value of the Corporation.

"(d) PERIOD FOR CONGRESSIONAL REVIEW.—The Corporation may not implement the privatization plan less than 60 days after notification of the Congress.

"(e) DEPOSIT OF Proceeds.—Proceeds from the sale of capital stock of the Corporation under this section shall be deposited in the general fund of the Treasury.

* * * *

2. PERTINENT PROVISIONS OF TITLE X (106 STAT. 2946 *ET SEQ.*)

TITLE X—REMEDIAL ACTION AND URANIUM REVITALIZATION

Subtitle A—Remedial Action at ActiveProcessing Sites

SEC. 1001. REMEDIAL ACTION PROGRAM. [42 USC 2296a.]

(a) IN GENERAL.—Except as provided in subsection (b), the costs of decontamination, decommissioning, reclama-tion, and other remedial action at an active uranium or thorium processing site shall be borne by persons licensed under

section 62 or 81 of the Atomic Energy Act of 1954 (42 U.S.C. 2091, 2111) for any activity at such site which results or has resulted in the production of byproduct material.

(b) REIMBURSEMENT.—

(1) IN GENERAL.—The Secretary of Energy shall, subject to paragraph (2), reimburse at least annually a licensee described in subsection (a) for such portion of the costs described in such subsection as are—

(A) determined by the Secretary to be attributable to byproduct material generated as an incident of sales to the United States; and

(B) either—

(i) incurred by such licensee not later than December 31, 2002; or

(ii) placed in escrow not later than December 31, 2002, in accordance with a plan for subsequent decontamination, decommissioning, reclamation, and other remedial action approved by the Secretary.

(2) AMOUNT.—

(A) TO INDIVIDUAL ACTIVE SITE URANIUM LICENSEES.—The amount of reimbursement paid to any licensee under paragraph (1) shall be determined by the Secretary in accordance with regulations issued pursuant to section 1002 and, for uranium mill tailings only, shall not exceed an amount equal to $5.50 multiplied by the dry short tons of byproduct material located on the date of the enactment of this Act at the site of the activities of such licensee described in subsection (a), and generated as an incident of sales to the United States.

(B) TO ALL ACTIVE SITE URANIUM LICENSEES.—Payments made under paragraph (1) to active site uranium licensees shall not in the aggregate exceed $270,000,000.

(C) TO THORIUM LICENSEES.—Payments made under paragraph (1) to the licensee of the active thorium site shall not exceed $40,000,000, and may only be made for off-site disposal.

(D) INFLATION ESCALATION INDEX.—The amounts in subparagraphs (A), (B), and (C) of this paragraph shall be increased annually based upon an inflation index. The Secretary shall determine the appropriate index to apply.

(E) ADDITIONAL REIMBURSEMENT.—

(i) DETERMINATION OF EXCESS.—The Secretary shall determine as of July 31, 2005, whether the amount authorized to be appropriated pursuant to section 1003, when considered with the $5.50 per dry short ton limit on reimbursement, exceeds the amount reimbursable to the licensees under subsection (b)(2).

(ii) IN THE EVENT OF EXCESS.—If the Secretary determines under clause (i) that there is an excess, the Secretary may allow reimbursement in excess of $5.50 per dry short ton on a prorated basis at such sites where the costs reimbursable under subsection (b)(1) exceed the $5.50 per dry short ton limitation described in paragraph (2) of such subsection.

(3) BYPRODUCT LOCATION.—Notwithstanding the requirement of paragraph (2)(A) that byproduct material be located at the site on the date of the enactment of this Act, byproduct material moved from the site of the

Edgemont Mill to a disposal site as the result of the decontamination, decommissioning, reclamation, and other remedial action of such mill shall be eligible for reimbursement to the extent eligible under paragraph (1).

SEC. 1002. REGULATIONS. [42 USC 2296a-1.]

Within 180 days of the date of the enactment of this Act, the Secretary shall issue regulations governing reimbursement under section 1001. An active uranium or thorium processing site owner shall apply for reimbursement hereunder by submitting a request for the amount of reimbursement, together with reasonable documentation in support thereof, to the Secretary. Any such request for reimbursement, supported by reasonable documentation, shall be approved by the Secretary and reimbursement therefor shall be made in a timely manner subject only to the limitations of section 1001.

SEC. 1003. AUTHORIZATION OF APPROPRIATIONS. [42 USC 2296a-2.]

(a) IN GENERAL.—There is authorized to be appropriated $310,000,000 to carry out this subtitle. The aggregate amount authorized in the preceding sentence shall be increased annually as provided in section 1001, based upon an inflation index to be determined by the Secretary.

(b) SOURCE.—Funds described in subsection (a) shall be provided from the Fund established under section 1801 of the Atomic Energy Act of 1954.

* * * *

3. PERTINENT PROVISIONS OF TITLE XI (106 STAT. 2951 *ET SEQ.*)

TITLE XI—URANIUM ENRICHMENT HEALTH, SAFETY, AND ENVIRONMENT ISSUES

SEC. 1101. URANIUM ENRICHMENT HEALTH, SAFETY, AND ENVIRONMENT ISSUES.

The Atomic Energy Act of 1954 (42 U.S.C. 2011, *et seq.*), as amended by title IX of this Act, is further amended by adding at the end of title II the following:

* * * *

"CHAPTER 28—DECONTAMINATION AND DECOMMISSIONING

"SEC. 1801. URANIUM ENRICHMENT DECONTAMINATION AND DECOMMISSIONING FUND. [42 USC 2297g.]

"(a) ESTABLISHMENT.—There is established in the Treasury of the United States an account to be known as the Uranium Enrichment Decontamination and Decommissioning Fund (referred to in this chapter as the 'Fund'). The Fund, and any amounts deposited in it, including any interest earned thereon, shall be available to the Secretary subject to appropriations for the exclusive purpose of carrying out this chapter.

"(b) ADMINISTRATION.—

"(1) IN GENERAL.—The Secretary of the Treasury shall hold the Fund and, after consultation with the Secretary, annually report to the Congress on the financial condition and operations of the Fund during the preceding fiscal year.

"(2) INVESTMENTS.—The Secretary of the Treasury shall invest amounts contained within the Fund in obligations of the United States—

"(A) having maturities determined by the Secretary of the Treasury to be appropriate for what the Department determines to be the needs of the Fund; and

"(B) bearing interest at rates determined to be appropriate by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to these obligations.

"SEC. 1802. DEPOSITS. [42 USC 2297g-1.]

"(a) AMOUNT.—The Fund shall consist of deposits in the amount of $480,000,000 per fiscal year (to be annually adjusted for inflation using the Consumer Price Index for all-urban consumers published by the Department of Labor) as provided in this section.

"(b) SOURCE.—Deposits described in subsection (a) shall be from the following sources:

"(1) Sums collected pursuant to subsection (c).

"(2) Appropriations made pursuant to subsection (d).

"(c) SPECIAL ASSESSMENT.—The Secretary shall collect a special assessment from domestic utilities. The total amount collected for a fiscal year shall not exceed $150,000,000 (to be annually adjusted for inflation using the Consumer Price Index for all-urban consumers published by the Department of Labor). The amount collected from each utility pursuant to this subsection for a fiscal year shall be in the same ratio to the amount required under subsection (a) to be deposited for such fiscal year as the total amount of separative work units

such utility has purchased from the Department of Energy for the purpose of commercial electricity generation, before the date of the enactment of this title, bears to the total amount of separative work units purchased from the Department of Energy for all purposes (including units purchased or produced for defense purposes) before the date of the enactment of this title. For purposes of this subsection—

"(1) a utility shall be considered to have purchased a separative work unit from the Department if such separative work unit was produced by the Department, but purchased by the utility from another source; and

"(2) a utility shall not be considered to have purchased a separative work unit from the Department if such separative work unit was purchased by the utility, but sold to another source.

"(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Fund, for the period encompassing 15 years after the date of the enactment of this title, such sums as are necessary to ensure that the amount required under subsection (a) is deposited for each fiscal year.

"(e) TERMINATION OF ASSESSMENTS.—The collection of amounts under subsection (c) shall cease after the earlier of—

"(1) 15 years after the date of the enactment of this title; or

"(2) the collection of $2,250,000,000 (to be annually adjusted for inflation using the Consumer Price Index for all-urban consumers published by the Department of Labor) under such subsection.

"(f) CONTINUATION OF DEPOSITS.—Except as provided in subsection (e), deposits shall continue to be made into the Fund under subsection (d) for the period specified in such subsection.

"(g) TREATMENT OF ASSESSMENT.—Any special assessment levied under this section on domestic utilities for the decontamination and decommissioning of the Department's gaseous diffusion enrichment facilities shall be deemed a necessary and reasonable current cost of fuel and shall be fully recoverable in rates in all jurisdictions in the same manner as the utility's other fuel cost.

"SEC. 1803. DEPARTMENT FACILITIES.

* * * *

"(b) PAYMENT OF DECONTAMINATION AND DECOMMISSIONING COSTS.—The costs of all decontamination and decommissioning activities of the Department shall be paid from the Fund until such time as the Secretary certifies and the Congress concurs, by law, that such activities are complete.

"(c) PAYMENT OF REMEDIAL ACTION COSTS.—The annual cost of remedial action at the Department's gaseous diffusion facilities shall be paid from the Fund to the extent the amount available in the Fund is sufficient. To the extent the amount in the Fund is insufficient, the Department shall be responsible for the cost of remedial action. No provision of this title may be construed to relieve in any way the responsibility or liability of the Department for remedial action under applicable Federal and State laws and regulations.

B. CURRENT STATE OF CERTAIN PROVISIONS OF TITLES X AND XI OF EPACT

(CURRENT TO JANUARY 1, 2002)

1. TITLE X, SUBTITLE A, SECTION 1003:

SEC. 1003. AUTHORIZATION OF APPROPRIATIONS. [42 U.S.C. 2296a-2.]

(a) In general

There is authorized to be appropriated $490,000,000 to carry out this part. The aggregate amount authorized in the preceding sentence shall be increased annually as provided in section 2296a of this title, based upon an inflation index to be determined by the Secretary.

(b) Source

Funds described in subsection (a) of this section shall be provided from the Fund established under section 2297g of this title.

2. TITLE XI, § 1101, REVISED VERSION OF SECTION 1802 OF THE ATOMIC ENERGY ACT OF 1954

SEC. 1802. DEPOSITS. [42 U.S.C. § 2297g.1.]

(a) Amount

The Fund shall consist of deposits in the amount of $488,333,333 per fiscal year (to be annually adjusted for inflation using the Consumer Price Index for all-urban consumers published by the Department of Labor) as provided in this section.

(b) Source

Deposits described in subsection (a) of this section shall be from the following sources:

(1) Sums collected pursuant to subsection (c) of this section.

(2) Appropriations made pursuant to subsection (d) of this section.

(c) Special assessment

The Secretary shall collect a special assessment from domestic utilities. The total amount collected for a fiscal year shall not exceed $150,000,000 (to be annually adjusted for inflation using the Consumer Price Index for all-urban consumers published by the Department of Labor). The amount collected from each utility pursuant to this subsection for a fiscal year shall be in the same ratio to the amount required under subsection (a) of this section to be deposited for such fiscal year as the total amount of separative work units such utility has purchased from the Department of Energy for the purpose of commercial electricity generation, before October 24, 1992, bears to the total amount of separative work units purchased from the Department of Energy for all purposes (including units purchased or produced for defense purposes) before October 24, 1992. For purposes of this subsection—

(1) a utility shall be considered to have purchased a separative work unit from the Department if such separative work unit was produced by the Department, but purchased by the utility from another source; and

(2) a utility shall not be considered to have purchased a separative work unit from the Department if such separative work unit was purchased by the utility, but sold to another source.

(d) Authorization of appropriations

There are authorized to be appropriated to the Fund, for the period encompassing 15 years after October 24, 1992, such sums as are necessary to ensure that the amount required under subsection (a) of this section is deposited for each fiscal year.

(e) Termination of assessments

The collection of amounts under subsection (c) of this section shall cease after the earlier of—

(1) 15 years after October 24, 1992; or

(2) the collection of $2,250,000,000 (to be annually adjusted for inflation using the Consumer Price Index for all-urban consumers published by the Department of Labor) under such subsection.

(f) Continuation of deposits

Except as provided in subsection (e) of this section, deposits shall continue to be made into the Fund under subsection (d) of this section for the period specified in such subsection.

(g) Treatment of assessment

Any special assessment levied under this section on domestic utilities for the decontamination and decommissioning of the Department's gaseous diffusion enrichment facilities shall be deemed a necessary and reasonable current cost of fuel and shall be fully recoverable in rates in all jurisdictions in the same manner as the utility's other fuel cost.

C. PERTINENT PROVISIONS OF SECTION 8, PUBLIC LAW 91-560, 84 STAT. 1474, 42 U.S.C. § 2201v (1970), *AMENDING* AEA § 161v.

SEC. 8. The first proviso in subsection 161 v. of the Atomic Energy Act of 1954, as amended, is amended to read as follows: "*Provided,* That (i) prices for services under paragraph (A) of this subsection shall be established on a nondiscriminatory basis; (ii) prices for services under paragraph (B) of this subsection shall be no less than prices under paragraph (A) of this subsection; and (iii) any prices established under this subsection shall be on a basis of recovery of the Government's costs over a reasonable period of time:"